The League of Life and Health Insurers of Maryland

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August 25, 2023

The Honorable Commissioner Kathleen Birrane
Maryland Insurance Administration
27th Floor
Baltimore, MD 21202

Via e-mail to: Kathleen.birrane@maryland.gov

Re: League Comments on HB 413 Workgroup – Market Reforms and Funding

Dear Commissioner Birrane,

The League of Life and Health Insurers of Maryland, Inc. (the League), is the state's trade association representing life and health insurers doing business in the State. The League supports the successful reinsurance program that has stabilized the individual market and provided premium relief to many Marylanders; however, we oppose any increase to the existing carrier tax.

In 2019, Maryland implemented a tax on health insurance premiums and established the State Reinsurance Program (SRP), to offset the costs of the individual insurance market. The program was intended to stabilize an unstable market and reduce insurance costs for thousands of Marylanders. At the time, the assessment made financial sense to support Marylanders in need of affordable health insurance.

As the state trade association representing the commercial health insurance companies providing coverage for millions of Marylanders, we believe that while continuing the program is wise, we are concerned that an increase to the assessment would ultimately have negative impacts on small businesses that are already struggling to cover their employees, and an additional financial burden would certainly create new affordability challenges.

While the SRP has lowered costs for some, it has already and will continue to result in higher costs for others who are struggling. The existing assessment impacts those hit hardest by the pandemic and those who can least afford it — small businesses and individuals and families who purchase their own insurance. While it may appear that the costs will be absorbed by insurers, premium taxes like this one are built into the costs of health coverage. The tax only applies to fully insured health plans, which are state regulated plans typically purchased by companies with fewer than 50 employees.

The tax does not apply to self-funded coverage where the employer bears the cost of the benefit claims. Self-funded plans, which are not regulated by the state, make up most of the Maryland commercial health insurance market, meaning the impact of the tax will not be spread evenly among plans and will impact smaller businesses the most. In essence, in a state of over 6 million people, 601,877 policy holders (less than 10% of state residents) are left funding the program alone (based on the MIA's 2022 Covered Lives Report).

All of the above being said, we are grateful to the MIA and MHBE for providing the workgroup with options and intriguing policy directions. While we do not believe there is a need to increase the assessment, especially with a projected surplus in the hundreds of millions of dollars area in 2028, we do agree that the state should look at all options to expand access to Marylanders that might not yet have been presented with affordable options.
I think KP was the only carrier putting this argument forward and I have abandoned it so feel free to remove it.

League members believe that like the Maryland Health Insurance Program (MHIP) prior to the adoption of the Affordable Care Act that it would be appropriate for Maryland hospitals to contribute to the SRP as they would directly benefit from the dramatic reduction in uncompensated care as we expand coverage. It will only create downward pressure on the Total Cost of Care Model to have Marylanders using coverage instead of showing up in Emergency Departments.

We were also very interested in MIA Chief Actuary Brad Boban's presentation on August 8th that outlined the possibility of a combination 1115 and 1332 waiver to capture Federal dollars, utilize the Medicaid program, and stretch State dollars. We are aware that this type of approach would be inventive and untested, but we also had naysayers when we proposed our initial SRP. We would encourage stakeholders to continue to press for creativity that can maximize financial incentives and drive Marylanders to coverage. We were also happy to hear advocacy for tobacco and alcohol taxes during the August 8th meeting. These public measures would have dual impacts of raising necessary funds while also creating reductions in lifestyle choices that strain the overall health care system.

We are very grateful for the opportunity for engagement on this important subject, we will continue to engage on behalf of carriers and Maryland consumers, and look forward to the continued discussions. Please reach out with any questions.

Very truly yours,

Matthew Celentano
Executive Director