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HB 413/SB 395 – Health Insurance – Individual Market Stabilization – Extension of Provider Fee

Position: Favorable

Thank you for the opportunity to provide written comments in support of House Bill 413/Senate Bill 395. This bill extends the health insurance provider fee from 2023 to 2028 in order to support an extension of Maryland’s Section 1332 State Innovation Waiver (1332 Waiver) to operate the State Reinsurance Program (SRP).

As part of its mission, CareFirst is committed to ensuring equitable access to quality, affordable health services. This commitment is reflected by the fact that CareFirst has been the only carrier to offer coverage in the individual market statewide continuously since 2014.

In 2018, Maryland’s individual health care premiums had skyrocketed to unaffordable levels, resulting in many Marylander’s dropping or forgoing their health insurance coverage. Between 2017 and 2019, individual market enrollment dropped from 224, 921 to 171,526. Healthy individuals were exiting the individual market, which created a downward spiral. Insurers had proposed to increase average individual market rates by more than 30% for 2019, on top of a 33% average increase for 2018 and a 25% average increase for 2017, due to the increased sickness of the risk pool.

During the 2018 legislative session, the Maryland General Assembly and Governor Hogan took action to reverse this downward spiral by passing and signing House Bill 1795 into law, which created a funding source for the SRP. The Maryland Health Benefit Exchange developed a 1332 Waiver to allow the state to receive Federal “pass-through” funding, which has funded the vast majority of the SRP.

The intent of the SRP was to reduce sharp increases in individual market rates to prevent healthy individuals from leaving the market, and it has been successful. Since the implementation of the program in 2019, not only did the reinsurance program stem increases, but rates have decreased by an average of nearly 32%. The enrollment losses between 2017 and 2019 have been nearly completely erased, with individual market enrollment now standing at 221,797. We have also seen an insurer re-join the individual market, which has bolstered competition.

While the reinsurance program has successfully enabled tens of thousands of Marylanders to obtain individual market coverage and has prevented healthy individuals from leaving the market due to lack of affordability, it is still very much needed to maintain enrollment and keep rates stable. Removing reinsurance would lead to large spikes in premiums and healthy individuals leaving the market, returning the market to a downward spiral. Without a sustainable individual market, the needs of this population may go unmet and will result in uncompensated care costs for healthcare providers. Increases in uncompensated care will result in premium increases for businesses.

We have 3 years of data demonstrating the clear success of the existing solution and level of funding. Estimates from the MHBE’s contracted actuary, Lewis & Ellis, show that if enhanced Federal subsidies are not continued past 2022, the state will need to dip into reserve funds for 2023. This indicates the existing assessment level is not too high, and may even be too low, to adequately fund the SRP over the long-term on an annual basis. The most significant variable in SRP funding projections is the amount of Federal pass-through, which cannot be accurately predicted and has been subject to significant volatility. For example, for the 2021 benefit year, Lewis & Ellis estimated the pass-through would be \$567,748,703. The Federal

government initially stated that the pass-through would \$335,383,207, but then subsequently increased that to \$474,542,755 due to a temporary increase to Federal financial assistance. Reducing the assessment will further increase the risk for the state that there is a shortfall in the later years of the renewed waiver's term. CareFirst believe the existing 1% assessment should be continued to minimize this risk.

Action should be taken by the General Assembly this year. Waiting another year to renew the assessment could delay the state's 1332 waiver renewal application and risk approval before 2024 Open Enrollment begins. The MHBE has stated they need to submit their application by April 1st, 2023, which is the minimum time the Centers for Medicare and Medicaid Services (CMS) requires to review and approve an updated waiver. This would mean that emergency legislation must be introduced and signed into law before the end of the 2023 legislative session for even the possibility of meeting the requisite timeframes. There is no reason to repeat the emergency process from 2018, when all of the necessary activities were completed just days before Open Enrollment. The General Assembly can avoid these risks by acting during this year's legislative session.

CareFirst believes it is vital to ensure the continued affordability of health insurance for individuals, particularly given the ongoing health and economic impacts of the COVID-19 pandemic. We strongly support House Bill 413/Senate Bill 395, which will help provide access to care for hundreds of thousands of Marylanders. We look forward to continued partnership with the state as they develop their application to renew the 1332 Waiver.

We urge a favorable report.

About CareFirst BlueCross BlueShield

In its 84th year of service, CareFirst, an independent licensee of the Blue Cross and Blue Shield Association, is a not-for-profit healthcare company which, through its affiliates and subsidiaries, offers a comprehensive portfolio of health insurance products and administrative services to 3.4 million individuals and employers in Maryland, the District of Columbia and Northern Virginia. In 2019, CareFirst invested \$43 million to improve overall health, and increase the accessibility, affordability, safety, and quality of healthcare throughout its market areas. To learn more about CareFirst BlueCross BlueShield, visit our website at www.carefirst.com and our transforming healthcare page at www.carefirst.com/transformation, or follow us on [Facebook](#), [Twitter](#), [LinkedIn](#) or [Instagram](#).