



Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc
2101 East Jefferson Street
Rockville, Maryland 20852

January 24, 2024

The Honorable Pamela Beidle
Senate Finance Committee
3 East, Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

RE: SB 227 – Favorable with Amendments

Dear Chair Beidle and Members of the Committee:

Kaiser Permanente appreciates the opportunity to provide comment on SB 227, “Health Insurance – Cancellation of Individual Health Benefit Plans – Restriction.” While we support the spirit of this proposal, we believe it would need substantial amendments to address the concerns outlined below.

Kaiser Permanente is the largest private integrated health care delivery system in the United States, delivering health care to over 12 million members in eight states and the District of Columbia.¹ Kaiser Permanente of the Mid-Atlantic States, which operates in Maryland, provides and coordinates complete health care services for over 825,000 members. In Maryland, we deliver care to approximately 475,000 members.

Kaiser Permanente appreciates that the MIA wants to prevent members in the individual market from losing coverage because they inadvertently failed to pay a nominal amount of their premium. We support the MIA’s objective, and to that end have instituted a policy that these members are considered paid in full if they have paid 98% of their premium; this policy has been in effect in all states within our footprint since the launch of the Exchanges in 2013. Additionally, the Affordable Care Act provides protections for patients that miss a premium payment. Taken together, we think there are sufficient controls to protect members with small outstanding balances and some potential unintended consequences from the bill as introduced.

The Affordable Care Act provides sufficient protections for members that receipt Advanced Premium Tax Credits (APTC) with small outstanding balances.

- **The ACA protects patients who fail to pay their premium for three months.** If an individual that receives APTC fails to pay their premium, the ACA affords them a three-month grace period to become current with payments. Grace period requirements established by 45 CFR 156.270 require that QHP Issuers notify the enrollee of their

¹ Kaiser Permanente comprises Kaiser Foundation Health Plan, Inc., the nation’s largest not-for-profit health plan, and its health plan subsidiaries outside California and Hawaii; the not-for-profit Kaiser Foundation Hospitals, which operates 39 hospitals and over 650 other clinical facilities; and the Permanente Medical Groups, self-governed physician group practices that exclusively contract with Kaiser Foundation Health Plan and its health plan subsidiaries to meet the health needs of Kaiser Permanente’s members.

payment delinquency within 10 days and begin the grace period. QHP Issuers must continue to cover their enrollees throughout the grace period. If the enrollee has not paid all premiums owed including premiums for all three months of the grace period on or before the last day of the grace period, then the QHP Issuer must terminate coverage on the last day of the first month of the grace period and return the APTC payments for months two and three.

- **Federal regulations also permit QHP Issuers to implement a premium payment threshold to prevent termination when an enrollee owes a de minimis balance.** It is our understanding that all Issuers in the state have opted to do so. For a Kaiser Permanente member that receives APTC, they would retain coverage after the three-month grace period if they have paid 98% of their balance.

The \$10 threshold proposed by SB 227 could have adverse tax consequences for enrollees. Approximately 15 percent of Kaiser Permanente’s on-Exchange members owe a monthly net premium amount between \$0 and \$10. A premium payment threshold of \$10 could result in enrollees deferring payment for months and terminating coverage once the balance tips over the threshold, resulting in a tax adjustment of thousands of dollars that a filer could owe due to nonpayment; if, at the end of the grace period, an enrollee loses coverage, they must report this to the IRS and pay back the tax credits for the first month of the grace period. This outcome is inconsistent with Affordable Care Act requirements and with our model as a pre-paid health care plan.

This threshold could have additional financial implications for enrollees. Enrollees who lose coverage in this scenario would owe providers for the full charges of any health care services rendered during the coverage period that is terminated due to nonpayment. Enrollees are generally unfamiliar with these rules and may not be aware that their APTC is contingent upon paying the full net premium; remitting thousands of dollars in APTC and payments to providers represents a significant financial burden for consumers and could erode trust in the Exchange to provide good guidance on tax credit eligibility.

SB 227 poses implementation challenges with little additional benefit to members. Finally, any changes to our current payment threshold policy, especially a shift from a percentage to flat-dollar amount in a single state within our footprint, will be a significant operational burden to implement. We believe our current policy of 98 percent is aligned with the MIA’s objective to avoid terminations for nominal amounts and would not require technical changes by a due date to become compliant.

A similar proposal was considered and rejected by the Maryland Health Benefit Exchange based on a number of the reasons described above. We encourage the MIA to review the feedback carriers provided on that proposal. We do not think legislation is needed, but if the Committee feels otherwise we instead recommend that carriers be required to establish a policy that can be applied in a uniform manner to all qualified individuals and enrollees.

Thank you for the opportunity to comment. Please feel free to contact me at Allison.W.Taylor@kp.org or (202) 924-7496 with questions.

Kaiser Permanente
Comments on SB 227
January 24, 2024

Sincerely,

A handwritten signature in cursive script that reads "Allison Taylor".

Allison Taylor
Director of Government Relations
Kaiser Permanente