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SB 621 / HB 634 – Association Health Coverage Plans

Position: Oppose

Thank you for the opportunity to provide written comments regarding SB 621 / HB 634 – Association Health Coverage Plans. This bill repeals the application of Maryland’s long-standing small group market reforms to any health benefit plan offered by an association, a professional employer organization, or other entity, including a plan issued under the laws of another state. **Passage of the bill would remove important consumer protections for health coverage, as well as destabilize rates in the small group market.**

CareFirst respectfully opposes the bill for the following reasons:

Maryland residents who purchase plans in an Association Health Plan (AHP) under this legislation would lose the protections of Maryland’s Insurance laws. The bill would repeal the Commissioner’s authority to regulate out-of-state association health plans that issue certificates to Maryland residents. Consumer protections, such as Maryland’s appeals and grievances law, Medical Loss Ratio law, network adequacy, and Unfair Trade Practices Act, would not apply to Maryland residents insured through an AHP under the legislation. Further, under this legislation, AHPs are not required to offer the same comprehensive set of benefits required of ACA-compliant plans, and they can use enhanced rating factors based on age, gender, industry, and other non-health-related factors.

Allowing small groups to join Association Health Plans (AHPs) that do not have to meet the requirements for small groups under Maryland law will result in adverse selection, and ultimately destabilize the small group market in Maryland. Independent experts, including the American Academy of Actuaries and the actuarial firms Oliver Wyman and Milliman, have stated that relaxing standards for AHPs and allowing AHPs to operate under a different set of rules than the ACA small group market would result in fragmented risk pools and higher prices for firms with less healthy employees due to risk segmentation.

The bill also removes AHPs issued in other states but offered in Maryland from requirements under Maryland law. If an AHP establishes itself in a state with fewer coverage requirements and less restrictive issue and rating rules and fewer consumer protections relative to Maryland, the AHP would be allowed to use that state’s requirements. Non-AHP insurance plans, however, would continue to be subject to each state’s requirements. Such a development would fragment the market and higher-cost small groups would find it more difficult to obtain coverage in the state they are domiciled.

While CareFirst strongly supports the policy goal of ensuring affordable insurance coverage for all Marylanders, this bill will lead to adverse selection, potentially leaving a smaller and sicker risk pool for the traditional insurance market and fewer plan options with higher prices for the small businesses and individuals that remain.

For these reasons, CareFirst respectfully opposes SB 621 / HB 634 – Association Health Coverage Plans. CareFirst is committed to working with policymakers on other ways to address overall affordability of health care for Marylanders.

We urge an unfavorable report.

About CareFirst BlueCross BlueShield

In its 83rd 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](#).