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February 9, 2022

The Honorable Delores Kelley
Chair, Senate Finance Committee
3 East
Miller Senate Office Building
Annapolis, MD 21401

Testimony
for the Senate Finance Committee
In **OPPOSITION** of

Senate Bill 395 – Health Insurance – Individual Market Stabilization – Extension of Provider Fee

Dear Chairman Kelley,

The League of Life and Health Insurers of Maryland, Inc. respectfully **opposes** Senate Bill 395 – Health Insurance – Individual Market Stabilization – Extension of Provider Fee and urges the committee to give the bill an unfavorable report.

To be very clear – the League does not oppose the successful reinsurance program that has stabilized the individual market and provided premium relief to many Marylanders, we just oppose the proposed extension of the carrier tax.

In 2019, Maryland implemented a tax on health insurance premiums and established the State Reinsurance Program, 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, this particular approach is a mistake. The bills will reduce rates for individuals by raising rates for others, most importantly small businesses that have been hard-hit by the COVID-19 pandemic.

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Senate Bill 395 has faults that will result in higher costs for those struggling most. Here is why. First, this proposed tax increases costs for 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 the one in the Administration’s bill 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 would 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, 540,484 policy holders are left funding the program alone (based on the [MIA’s 2020 Covered Lives Report](#)).

Second, the tax impacts the competitiveness of Maryland’s insurance market because carriers participate in the fully-insured and self-insured markets at different rates. Thus, a carrier with a larger proportion of self-insured business is impacted less than others leading to imbalance with the tax. A competitive marketplace helps keep costs lower for Maryland consumers.

Finally, the approach in the Administration’s proposal is outdated. The American Rescue Plan Act has provided significant relief by reducing the share of income consumers were expected to contribute towards their premium and extending subsidies above 400% of the federal poverty level. This approach gave many more enrollees in Maryland access to low-cost or even zero-dollar coverage in the individual market. Maryland is also implementing a first-in-the-nation young adult subsidy program to further reduce costs for young adults to purchase health insurance. Senate Bill 395’s approach does not recalibrate the costs needed for the reinsurance program in light of other premium relief available elsewhere.

We believe there are better ways to pay for this successful program in the future. There is no need to pass legislation now. The current program is still fully funded for two more years and there is time to take a thoughtful and prudent approach. The Governor, General Assembly, insurers, business community, and consumers should come together to explore a funding approach that will have the least financial impact across the health care spectrum. We are all committed to insurance affordability – we just want to make sure it works for *all* Marylanders.

For these reasons, the League urges the committee to give Senate Bill 395 an unfavorable report.

Very truly yours,



Matthew Celentano
Executive Director

cc: Members, Senate Finance Committee

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