



THE MAINE HERITAGE POLICY CENTER

The Maine Heritage Policy Center Testimony to Oppose LD 1 “An Act To Protect Health Care Coverage for Maine Families”

Senator Sanborn, Representative Tepler, and members of the Committee On Health Coverage, Insurance and Financial Services, my name is Jacob Posik and I serve as Director of Communications at the Maine Heritage Policy Center. Thank you for the opportunity to speak in opposition to LD 1.

LD 1 codifies into state law several of the central health care regulations currently federally enforced through the Affordable Care Act (ACA). While the Maine Heritage Policy Center objects to many aspects of this legislation, in the interest of time I'd like to focus on just two of the most important policies contained in this bill: guaranteed issue requirements and community rating restrictions.

Guaranteed issue requires health insurers selling individual health insurance plans to issue all plans to all individuals applying for coverage, regardless of health status, for the same price. Community rating laws limit the extent to which premiums can vary based on age and geography. For policies issued after January 1, 2016, this bill prohibits age-based premium differentials of more than 3 to 1, despite the fact that health care expenses for the elderly are greater than that of young adults by a factor of 4.8.¹ Both of these policies are intended to make insurance more accessible and affordable for people with expensive medical conditions. But despite their good intentions, they have not been a success in practice.

Maine first instituted these regulations in 1993, and the harm they caused to our health insurance markets was quickly apparent. Premiums spiked and enrollments (particularly among young, healthy Mainers) plummeted. As more healthy young people dropped their coverage because of the high prices, the insurance pool became sicker, causing premiums to rise again and making it even more unattractive for young people to stay enrolled. Throughout the 1990s and 2000s, Maine's individual health market shrank from 102,000 people in 1993 to just 57,000 in 2009, and the number of individuals opting for high-deductible, catastrophic insurance rose sharply --

¹ https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51130-Health_Insurance_Premiums.pdf

in 2008, 88 percent of those with individual market coverage through Anthem in Maine had a deductible of at least \$5,000, and 40 percent had a deductible of \$10,000 or more.²

In response, in 2011, Maine passed a landmark reform bill, PL 90, that repealed guaranteed issue and expanded the community rating bands while keeping coverage accessible and affordable for those with pre-existing conditions. The model put in place by PL 90 used reinsurance to subsidize coverage for high-cost individuals while spurring competition in the rest of the insurance market.

The effects of PL 90 were overwhelmingly positive. A study commissioned by the Bureau of Insurance projected that premiums would drop in the individual market by an average of 12 to 15 percent, and that 80 percent of enrollees would see lower premiums.³ While the law impacted group markets less profoundly, many businesses enjoyed lower rates as well.

Unfortunately, just a few years later, the ACA's federal mandates superceded most of PL 90's reforms. Since the ACA's passage, Maine's health insurance market has deteriorated, providing more evidence that community rating and guaranteed issue regulations are detrimental. Over the first three years of the ACA's implementation, per capita monthly premiums in Maine increased by 28 percent, from \$334 in 2013 to \$426 in 2016. On top of that, the number of insurers offering coverage through the exchange fell from 4 in 2013 to 2 in 2018.⁴

The Maine Heritage Policy Center supports the goal of ensuring that high-cost individuals with pre-existing conditions are not denied health coverage. But we believe there are more effective ways of doing so that place fewer burdens on the overall health system. Instead of doubling down the ACA's failed policies, Maine should seek to enact market-driven reforms.

I urge you to oppose LD 1 and I thank you for your attention.

² <https://www.heritage.org/health-care-reform/report/health-care-reform-maine-reversing-obamacare-lite>

³ https://www.maine.gov/pfr/insurance/publications_reports/archived_reports/pdf/gorman_actuarial_report.pdf

⁴ <https://www.heritage.org/health-care-reform/report/health-care-reform-maine-reversing-obamacare-lite>