

Health Care
HC4ME
for Maine

TESTIMONY OF HEALTH CARE FOR MAINE

IN OPPOSITION TO

**L.D. 226, AN ACT TO ALLOW MAINE CITIZENS TO BUY HEALTH
INSURANCE ACROSS STATE LINES**

**L.D. 455, RESOLVE, DIRECTING THE SUPERINTENDENT OF INSURANCE
TO FORM A COMPACT WITH OTHER STATE COMMISSIONERS OF
INSURANCE ON THE PURCHASE OF INSURANCE OUT OF STATE**

**L.D. 473, AN ACT TO ENABLE MAINE RESIDENTS TO PURCHASE HEALTH
INSURANCE OVER STATE LINES**

**L.D. 645, RESOLVE, TO REPLACE MAINE'S HEALTH INSURANCE SYSTEM
WITH THE TYPE OF SYSTEM USED IN NEW HAMPSHIRE**

**L.D. 1162, AN ACT TO ALLOW MEMBERS OF PROFESSIONAL
ASSOCIATIONS TO PURCHASE HEALTH INSURANCE ACROSS STATE
LINES**

AND

**L.D. 1200, AN ACT TO AUTHORIZE THE HEALTH CARE CHOICE
COMPACT TO PERMIT THE PURCHASE OF HEALTH INSURANCE FROM
NEW HAMPSHIRE**

Joint Standing Committee on Insurance & Financial Services
Room 220, Cross State Office Building
Tuesday, April 12, 2011, 1:00 p.m.

Good afternoon Senator Whittimore, Representative Richardson, and Members of the Joint Standing Committee on Insurance & Financial Services. My name is Andrew MacLean and I am speaking in opposition to these bills on the purchase of health insurance across state lines on behalf of Health Care for Maine (HC4ME). The member

organizations of Health Care for Maine (HC4ME) believe that every person in Maine should have access to high quality health care at a cost they can afford. I have attached to my testimony, a document further describing Health Care for Maine's membership and mission.

Health Care for Maine member organizations acknowledge the high cost of health insurance coverage in Maine and understand the interest of the sponsors of these bills in seeking innovative ways to reduce the cost of coverage. During last fall's political campaign, some political consultants proposed allowing health insurance plans sold in other states to be sold in Maine without meeting current state regulations. These consultants said that insurance is cheaper elsewhere and if we allow those plans to be sold here we would save money. These proposals have some superficial appeal and might make good campaign rhetoric, but they don't stand up to a careful insurance market analysis. They are not the answer to Maine's high health insurance costs. **Rates will not be lower for most people and, in fact, rates would increase for those individuals left in Maine health plans as younger, healthier individuals leave the Maine insurance pool for cheaper, less comprehensive coverage elsewhere. Adoption of this concept could cripple Maine's already fragile health insurance market.**

In order to understand what will actually happen to rates, let's look at the three factors used in calculating an insurance premium:

- The price of covered services;
- The services that are covered; and
- The quantity of those services needed by the covered population.

Let's take each of these factors one by one and see how they would be impacted by the concept of these bills:

The price of services in Maine will not change just because the company writing the check is "from away." The costs in Maine are high and continue to climb, but let's not forget that even in those states where the premium is lower, they are seeing the same continued unsustainable escalation of costs.

The services covered by an out-of-state policy could be very different from a policy written in Maine, but is that necessarily a good thing? Mainers have worked hard over the years to see to it that insurance sold in this state is comprehensive, providing adequate coverage when it's needed. State mandates have been criticized, but several studies that have reviewed the cost of mandates put the overall effect of Maine's mandates at 5% or less. Also, let's remember that they are mandates for a reason, to cover care that's needed.

The quantity of those services needed by the population will not change, but what will happen is the population will be divided, with out-of-state plans attracting younger more healthy customers leaving older and sicker customers to the Maine insurers.

Higher premiums for older and sicker Mainers. With this concept, we'll see an increase in premiums for those most at risk – individuals who are older or sicker. Younger, healthier customers will gravitate to less comprehensive and this less expensive out-of-state policies. This will result in a smaller pool of people to pay for the more comprehensive plans still being sold in Maine, leading to higher premiums for that population.

Fewer younger and healthier workers in employer coverage; more uninsured. But it gets even worse, as that trend continues we'll see an increase in the level of uninsured as the young and healthy employees in group plans purchase bare bones policies from out-of-state companies instead of from their employers. As fewer employees participate in the group plan, those employees that continue to participate will be higher cost, causing the premiums to rise forcing more people out of the private market and either onto MaineCare or to joining the ranks of the uninsured. This was the conclusion of the Government Accounting Office when asked to review a similar federal proposal.

Insurers will exclude people with pre-existing conditions. Remember, out-of-state insurers will not be subject to our rules on guaranteed issue (until the ACA takes effect in 2014), so they will be able to exclude who they want – that is exclude people who they think they might actually have to pay a claim to. Let's remember there are many of us, a recent HHS report estimated there are 50 million people across the country with a pre-existing condition that would disqualify them from purchasing insurance if there weren't adequate protections.

Moreover, the National Association of Insurance Commissioners (NAIC), the national body of insurance regulators of varied political and philosophical persuasions, some of whom are appointed and others who are popularly elected, is opposed to this concept. I've attached to my testimony a NAIC document entitled, *Interstate Health Insurance Sales: Myth v. Reality* that reiterates many of the points outlined above.

Our current health care coverage situation is unsustainable, but change is coming. In fact, as part of the *Affordable Care Act (ACA)*, beginning in 2014 two national plans

will be sold in every state through the Exchange. This will be a chance to buy coverage from insurers outside of Maine without some of the risks discussed above. Also in 2014, most plans will need to cover the essential benefits package. With that change, the overblown issue of mandated benefits largely will go away. While we don't yet know what will be defined as essential benefits, one likely model is what the Federal Government has chosen for its own employees in the Federal Employee Health Benefit Plan. According to a study by the Commonwealth Fund, most state mandates are already covered by the standard FEHBP. It's hard to imagine Congress saying that everyone does not need the level of benefits they've given themselves.

Thank you for considering our views on this important health care issue and I would be happy to respond to any questions you may have.