



Health Plan Winners and Losers

Proposed rollback of health insurance reforms will hurt middle age and older Mainers, the sick, and rural residents and business

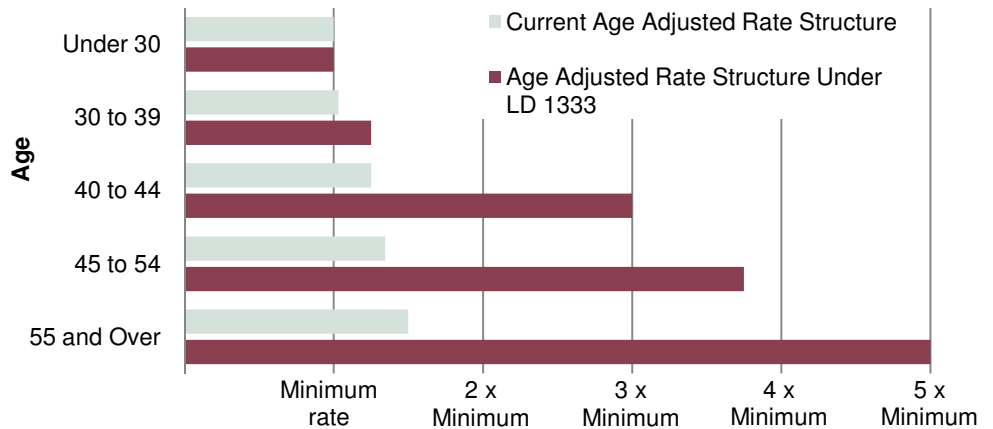
On Thursday, May 5 the Maine House of Representatives passed LD 1333, legislation to significantly alter health insurance consumer protections Maine has implemented over the past 20 years.¹ Representatives from both parties admitted not having read the final proposal which included 20 pages of amendments to the 29 page bill that the Insurance and Financial Services Committee passed after less than an hour of deliberation.² As the Bangor Daily News noted in a May 7 editorial, “a bill to make whoopee pies the official treat had more legislative review and debate than LD 1333.”

With rising health care costs undermining the economic security of Maine people and the competitiveness of our businesses, policymakers must carefully assess the potential impacts of policy proposals before rushing to action. LD 1333 contains many provisions potentially harmful to Maine people and businesses.

Health insurance rates will increase for older Mainers

Currently, older Mainer’s who are privately insured pay 50% more than those who are young and healthy. LD 1333 will allow insurance companies to charge these Mainers 400% more than the minimum rate. As a result, premiums for older individuals and businesses with older employees will increase. The impact on rates for younger individuals is less certain and will depend on what happens in Maine’s health insurance market more broadly.³

The older you are, the worse it gets under LD 1333



Rural Mainers and businesses will have fewer choices and face higher rates

Proposed reforms will increase insurance costs for rural residents and business, undermine rural residents' access to care, and hurt local providers and hospitals. Provisions allowing insurance companies to use geographic location as a significant and separate factor from age in rate setting will disproportionately affect rural Maine where costs tend to be higher. Eliminating geographic access standards may force rural residents to seek care farther from home.

The Legislature’s reckless rush to act has not given Maine’s Bureau of Insurance time to exercise its statutory authority to assess the impact of these provisions. However, the Bureau’s efforts to evaluate impacts of federal health reforms in Maine provide some insight, concluding that residents and businesses in Down East, Northern and North Central Maine will see significant additional premium increases.

50%

Difference between lowest insurance rates and highest rates allowed by current law based on an individual's age.

400%

Difference allowed based on age by insurance reforms contained in LD 1333.

52

Number of days proposal to make the Whoopie Pie the official state treat went from public hearing to a House vote.⁶

9

Number of days LD 1333 went from public hearing to a house vote including less than 5 hours of deliberation over 25 pages of amendments in committee.⁷

\$4

New monthly surcharge on all health insurance policies in Maine proposed by LD 1333.

↑17%

Estimate of average premium increase for small businesses in Aroostook County once certain provisions of LD 1333 are implemented.⁸

4th

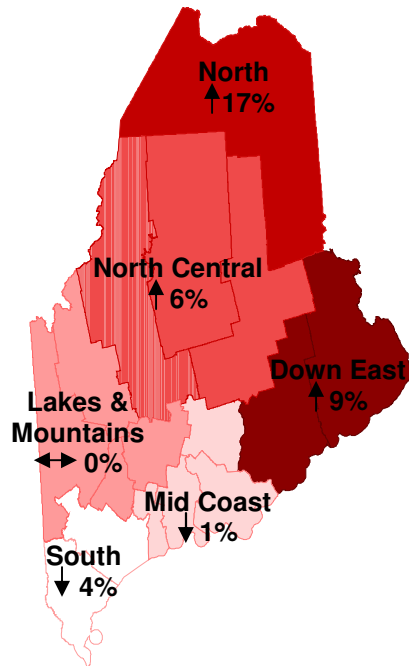
Maine's rank among all states in 2009 in terms of the percent of its residents with health insurance.⁹

29th

Idaho's rank on the same measure.¹⁰

Average Insurance Rates Will Soar for Small Businesses in Down East, North and North Central Maine⁴

Small Business Rate Changes



Opening Maine to out-of-state insurers will only make matters worse

The most profitable customers for out-of-state insurance companies will be young, healthy individuals and businesses that employ them. In-state insurance companies will be left to insure a smaller risk pool that is older, less healthy and geographically disbursed, raising rates for these individuals and businesses.

Beginning in 2014, LD 1333 also allows insurance companies based in Connecticut, Massachusetts, New Hampshire or Rhode Island to sell products that don't adhere to existing Maine standards, eroding hard-fought consumer protections. Once a new product is introduced, it sets the standard for what can be sold by both in-state and out-of-state companies. In effect Maine's Legislature is ceding control over our insurance market to these four states, allowing the lowest standards to prevail.

Real reform belies “sound bite” solutions and headstrong action

Clearly we must continue to work to improve access to quality, affordable health care for all Maine people. Unfortunately, supporters of LD 1333 fail to acknowledge the trade-offs between proposed changes and their impacts on older Mainers, the sick, and rural residents and businesses. As a vehicle for continued improvement of health care for Mainers,⁵ LD 1333 is a flop that simply shifts the deck chairs on a sinking ship by reallocating who pays what for health insurance without actually addressing the real factors that drive insurance rates – health care utilization and costs.

Sources: ¹MECEP acknowledges the contributions of partners from Health Care for ME to this piece, especially input of staff from Consumers for Affordable Health Care. MECEP assumes responsibility for the final content. ²Video footage from Maine Peoples Alliance interviewing representatives prior to the House vote on LD 1333. ³MECEP analysis applying current 1.5:1 rate structure for Anthem Blue Cross Blue Shield to a 5:1 rate band. Combining this analysis with information provided by the Bureau of Insurance regarding geographic and age based average rate changes suggests that rates for individuals under age 40 will likely go down in most areas and increase for those over age 45, particularly in the small group market. The ultimate outcome depends in part on whether young individuals leave the in-state risk pool to purchase insurance from out-of-state companies, how remaining individuals and businesses respond to changing rates, and the impact of the reinsurance program on the individual market. ^{4,8}Analysis provided to Legislators by the Bureau of Insurance and Gorman Actuarial. Assumes a 3:1 age band and implementation of geographic rating that assigns Maine counties to six different regions. ⁵LD 1333 also calls for the elimination of the Advisory Council on Health Systems Development and the State Health Plan, both of which have been instrumental to future planning and identification of solutions through multi-stakeholder dialogue and research. ^{6,7}Steve Mistler, “Political Pulse: 98 days to make whoopie,” Lewiston Sun Journal, May 9, 2011. ^{9,10}Kaiser State Health Facts, www.statehealthfacts.org.