

Ways & Means Oversight Subcommittee Congressional Hearing
Testimony By: Al Redmer, Jr., Commissioner, Maryland Insurance Administration
Wednesday, June 24, 2015 at 10:00 a.m.
1100 Longworth House Office Building, Washington, DC

Thank you for the opportunity to testify on the proposed individual and small group rate increases in Maryland.

Maryland carriers were required to submit proposed rates for 2016 on May 1, 2015. We are currently going through our actuarial review and expect to make our final determination by August 1, 2015.

The requested rate changes for 2016 in the individual market are:

All Savers (United Healthcare)	-3.2%
Carefirst (CFMI)	26.7%
Carefirst (Bluechoice)	30.4%
Carefirst (GHMSI)	30.4%
CIGNA	-2.9%
Evergreen (CO-OP)	9.7%
Kaiser	4.8%
UnitedHealthCare of the Mid-Atlantic Inc.	-0.5%

The requested rate changes for 2016 in the small group market are:

Aetna (HMO)	6.4%
Aetna Life	8.5%
Carefirst (CFMI)	-3.1%
Carefirst (Bluechoice)	-16.6%
Carefirst (GHMSI)	-16.6%
Evergreen (CO-OP)	14.8%
Kaiser	5.5%
MAMSI (UnitedHealthCare)	4.3%
United Healthcare	4.3%
UnitedHealthcare of the Mid-Atlantic	4.3%
Optimum Choice (UnitedHealthCare)	-0.4%

In part, based on the direction from Governor Hogan to conduct ourselves in an open, transparent way, the Maryland Insurance Administration is engaged in a number of activities to solicit feedback. Last Wednesday, June 17, 2015, we held a public hearing on individual and small group rates where we invited testimony from interested parties. On Monday, June 22nd, we held our first two of eight “Town Hall” meetings around the state. We have invited consumers, producers, businesses and any interested parties to provide comment on all aspects of the Affordable Care Act including, premiums, coverage, the Maryland Health Benefit Exchange and any operational issues. We have also scheduled a similar meeting where we are hosting our carriers for comment. We are hopeful that we will get useful information that will allow us to improve the marketplace in Maryland.

For the proposed increases we are seeing projections of the following cost drivers:

Increase in average morbidity as high as	15%
Increased medical trend of	3.5 – 7.0%
Projected profit margins	1.0 -2.0%

In 2016, we will mark another year of uncertainty in the marketplace. One of the unknown factors that will affect the market is the expansion of the small group market to businesses with as many as 100 employees. The Maryland legislature increased the minimum stop loss attachment point to \$22,500 in an effort to reduce cherry-picking and adverse selection.

In the individual market there is uncertainty regarding the effects of increasing the penalty for those who choose to remain uninsured, and if it will drive younger enrollees into participation. One of our carriers is actually projecting a slight increase in the average age of their pool.

One of the unintended consequences of the Affordable Care Act that concerns me is the operational inefficiency that has resulted from its implementation. As a result of the small group market being effective January 1, 2014, many small groups in Maryland renewed their plans early (in November and December of 2013) to avoid the ACA regulations. As a result, we have a significant percentage of the small group market and the individual market renewing at the same time. This has created operational issues for both carriers and producers, which has resulted in increased administrative costs.

Once again, I appreciate the opportunity to participate in the discussion and will look forward to your questions.