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29 June 2016

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Al Redmer, Jr.
Insurance Commissioner
Maryland Insurance Administration
200 St. Paul Place - Suite 2700
Baltimore, MD 21202

Dear Commissioner Redmer:

I am writing as President of Consumer Health First to express our appreciation for the opportunity to provide comments on the proposed 2017 health insurance premium rates for Maryland's individual market. Consumer Health First, is non-partisan, nonprofit statewide organization committed to advancing health equity through access to comprehensive, affordable, and high quality health care for all Marylanders.

To start, we want to thank you for the prompt and complete response to our request for release of further information regarding Kaiser Permanente's proposed rates. This made it possible for Mr. Angoff of Mehri & Skalet to complete his analysis, which we fully endorse and which we have included with this letter. We also wish to commend the Maryland Insurance Administration (MIA) for its commitment to an enhanced rate review process and urge the MIA to put consumers and affordability first by examining the state of healthcare pricing and what carriers have done, and plan to do, to bend the health care cost curve.

Over 280,000 Maryland consumers purchase their own health insurance coverage. These include the self-employed, contractual employees, and those who work for small employers who do not offer health insurance. These consumers may be single, single parents, or families. Some qualify for subsidies to offset the cost of health insurance coverage but most do not. In fact, Consumer Health First estimates nearly 60 percent of Marylanders in the individual health insurance market purchase coverage directly from a carrier or through an insurance producer and therefore do not qualify for a subsidy. For these individuals, the proposed increases of 8 to 30 percent means health insurance will become even less affordable.

Affordability for health care is a key issue for Americans as was shown in an October 2015 Kaiser Family Foundation survey. In that, 42% of respondents reported that it is "somewhat or very difficult" to afford

health services due to cost. We also know from the U.S. Bureau of Labor Statistics that, on average, Americans spend about 4 percent of their income on health insurance. However, consumers in Maryland's individual health insurance market are paying more than the average. For example, those purchasing the lowest cost BlueChoice silver plan, an HSA plan with a \$1,350 deductible, with household incomes above the maximum amount for a subsidy are spending a much higher percentage of their annual income on health insurance this year than the average American and, if CareFirst is granted the proposed premium increase, the same consumer will spend even more of their annual income for health insurance plus pay an additional \$150 per year to cover the increase in the annual deductible from \$1,350 to \$1,500. This is illustrated in the table below:

CareFirst BlueChoice HSA Silver \$1,350 (2016) and \$1,500 (2017)				
	D.C. Suburbs		Baltimore Region	
	2016	2017	2016	2017
Single person, annual income of \$52,000, 40 years of age	6.4%	7.2%	6.8%	7.7%
Single parent, one-child, annual income of \$68,000, parent 40 years of age, child younger than 18	7.3%	8.3%	7.8%	8.9%
Family, two children, annual income of \$102,000, parents 40 years of age, children younger than 18	9.7%	11.0%	10.4%	11.8%

A consumer may be able to decrease the percentage of their annual income spent on health insurance premiums by moving to the lowest cost bronze plan with a \$6,500 deductible. This, however, means the consumer would be faced with an increase in the deductible from \$1,350 to \$6,500 and even with this significant deductible would still have to spend significantly more of the consumer's annual income on health insurance than the average American, as shown below:

CareFirst BlueChoice Bronze \$6,500				
	D.C. Suburbs		Baltimore Region	
	2016	2017	2016	2017
Single person, annual income of \$52,000, 40 years of age	3.8%	5.5%	4.1%	5.9%
Single parent, one-child, annual income of \$68,000, parent 40 years of age, child younger than 18	4.4%	6.3%	4.7%	6.8%
Family, two children, annual income of \$102,000, parents 40 years of age, children younger than 18	5.8%	8.4%	6.3%	9.0%

As the MIA considers the proposed rates we think it is equally important to consider the issue of the carriers' efforts at cost containment. The most vulnerable Maryland consumers of health insurance, those without an employer to negotiate prices or programs to control costs, depend upon regulators to hold carriers accountable for health care cost containment. Some states – California, New York, Oregon, Rhode Island, and Vermont – are moving in this direction, holding carriers accountable for health care cost containment. Examples of cost containment and quality improvement objectives include:

- Investments in primary care and encouraging primary care practices to become patient-centered medical homes.
- Promotion of consumer use of high value services such as those graded A or B by the U.S. Preventive Services Task Force.
- Rewards for providers who deliver high-quality, well coordinated care for those with complex medical needs such as those with multiple chronic conditions.
- When medically appropriate, promotion of the use of generics and other lower cost prescription drugs.
- Reductions in the wide variations in prices for the same service.

We fully understand the need to ensure that health insurance premiums are not inadequate to meet the carrier's solvency needs. At the same time, they must not be excessive or unfairly discriminatory. However,

it is simply not fair to place an undue burden on consumers by approving higher rates that require them to allocate a higher percentage of their annual income for health insurance coverage without putting requirements on the carriers. They must be required to demonstrate a commitment to lowering health care costs and with the capacity to carry out this commitment.

We look forward to working with the Maryland Insurance Administration to effectively protect consumers from the financial harm of increasing health insurance premiums.

Sincerely,



Leni Preston, Chair
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