

709 Warren Dr.
Annapolis, MD 21403

June 29, 2016

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

Dear Commissioner Redmer:

Thank you for the opportunity to provide comments about the rate review process as a part of the public hearing on the proposed health insurance rates in the individual market for 2017. As a long-standing student of insurance regulation, having worked for many years in public policy, insurance regulation and for a few health insurers, it is clear to me much work has been done to enhance Maryland's rate review process but also that more can be done to improve health insurance affordability.

The passage of the Affordable Care Act (ACA) drew attention to a little noticed part of insurance regulation, the review of health insurance rates. The Department of Health and Human Services provided substantial funds to states to enhance the rate review process to further scrutinize the premiums carriers propose to charge individuals and small employers as well as to provide greater transparency to consumers about this process.

- The Maryland Insurance Administration (MIA) received \$1 million in 2010 and nearly \$4 million in 2011.
- The Department of Health and Mental Hygiene received about \$2.9 million in 2013.
- The Maryland Health Care Commission (MHCC) received about \$1.2 million in 2014.

As a result of these funds, the MIA took a number of steps to enhance rate review including new statutory authority to review and disclose proposed rates, expanding the scope of enhanced rate reviews, hiring additional staff, and making the process more transparent by publicly disclosing proposed rates and the MIA's decision on a website dedicated to rate review. All of these steps have gone a long way to improve the scrutiny and transparency of health insurance rates and to hold rate increases down. Nonetheless, health insurance rates for the largest carrier in the individual market still increased 10 percent in 2015 and 20 percent in 2016 for its HMO plans and 16 percent in 2015 and 26 percent in 2016 for its PPO plans and this same carrier has requested another increase this year of 12 percent for its HMO plans and 16 percent for its PPO plans.

Historically, insurance regulators review the reasonableness of the assumptions a carrier makes to develop proposed rates using data submitted by the carrier. There is interest in using independent

data sources to verify the carrier's assumptions to ensure consumers pay actuarially fair premiums.¹ Indeed, in part, Maryland requested funds to enhance the rate review process by using the all-payer database to independently verify a carrier's medical trend assumptions.² However, it is not clear from the MIA's decision documents whether the all-payer database is being used to independently verify carrier's medical care trends.

As important as it is to independently verify medical care trends, this does little to give consumers confidence that carriers are doing everything possible to bend the cost curve so health insurance becomes more affordable. One insurance regulator, the Rhode Island Health Insurance Commissioner, has made cost containment and affordability a priority. Rhode Island establishes affordability standards and holds carriers accountable for meeting these affordability standards during the rate review process. For example, carriers operating in Rhode Island must direct 40% of medical payments through quality and efficiency-based payment models in 2017 and 50% in 2018.

The MIA does not need to develop affordability standards. Rather, the Health Services Cost Review Commission (HSCRC) and the MHCC are well positioned to identify affordability standards that the MIA may use in rate review. Indeed, in 2011, the Hilltop Institute observed "[il]nteragency coordination efforts could positively contribute to statewide quality initiatives, cost containment activities, and actuarial analyses."³ Interagency coordination between the MIA, the MHCC and the Health Services Cost Review Commission holds the promise of ensuring actuarially fair premiums and the opportunity to make health insurance in the individual market more affordable.

I urge the MIA to move forward with additional enhancements to the rate review process to use the all-payer database to independently verify carriers' medical trends and to work collaboratively with the HSCRC and the MHCC to identify reasonable and actionable affordability standards in order to lower health care costs and premiums.

Sincerely,

Elizabeth P. Sammis

Elizabeth P. Sammis, Ph.D.

¹ See, for example, Julia Lerche and Ross Winkelman "Applicability of All-Payer Claims Databases for Rate Review and Other Regulatory Functions," State Health Reform Assistance Network Issue Brief, June 2014.

² See <https://www.cms.gov/ccio/Resources/Rate-Review-Grants/md.html>.

³ The Hilltop Institute. (2011, January). Premium rate reviews of private health insurers in Maryland and opportunities for state regulatory coordination under health care reform. Baltimore, MD: UMBC.