

TESTIMONY BEFORE THE JOINT COMMITTEE ON HEALTH CARE DELIVERY AND FINANCING

**Submitted by Ronald W. Wineholt
Vice President of Government Affairs
Maryland Chamber of Commerce
October 14, 2008**

Good morning Chairman Garagiola, Chairman Morhaim and members of the Joint Committee. My name is Ron Wineholt, Vice President of Government Affairs, representing the Maryland Chamber of Commerce. Thank you for the opportunity to offer testimony regarding potential changes to the small group health insurance plan. As one-half of our members have fewer than 50 employees, this is a key issue for our membership.

Problems of the Small Employer

Small employers are least likely to provide health insurance to their employees, and are the appropriate focus of state health insurance reform. Among the challenges small employers face are:

- Minimal administrative staff;
- Reluctance to start new fringe benefits that may be unaffordable;
- Limited choice resulting from few small group carriers; and
- Inability to effect cost savings due to rating factors.

Trends in Maryland's small group market strongly suggest that design changes are warranted:

- 14% decline in employer participation since 1999
- Under 40% of eligible small businesses participate
- 12% decline in covered employees
- Continued decline in carriers offering small group

Maryland Compared to Other States

The December 2007 review of Maryland's small group plan by Mercer indicates that our plan differs from that of other states in several respects:

- Maryland is one of 10 states with community rating
- 7 of the 10 states with community rating (including Maryland) were in the top 17 in small group premium levels
- Maryland's rating bands are very narrow (+40/-50) with a range of 2.8 to 1, as compared to a typical state's range of 8.3 to 1.
- Unlike Maryland, most states allow for rating adjustments due to health status

Additionally, the Council for Affordable Health Insurance reports that Maryland has the second highest number of health insurance mandates (63) in the country. All but a couple of these mandates have been imposed on small group by the Maryland Health Care Commission.

(over)

Mercer's Options for Small Group Changes

1. Minimize or eliminate floor and ceiling – We support more flexibility in plan design and would agree with eliminating the benefit floor that requires that the plan be actuarially equivalent to a federally qualified HMO. However, at this point we would continue to oppose removing the premium cost ceiling of 10% of Maryland's average annual wage. This cap has not worked perfectly, as the Commission has raised deductibles and copays instead of narrowing benefits or excluding mandates. However, we suspect the absence of any ceiling would simply accelerate the pace that benefits are added to the program.
2. Rating – We would support liberalizing the current narrow rating requirements to allow gender, health status and wider rating bands. We must reduce the heavy subsidies that the current rating methodology requires so that we can attract more of the young and healthy to the pool. Additionally, by including health status as a factor (like most states), small employers would finally have an incentive to use wellness and other cost management programs as large employers have done for years.
3. Apply HIPPA portability rules – We agree that individuals can currently game the system by obtaining insurance when they need it and dropping it once the condition has been treated. Applying the HIPPA portability standards would allow employers to minimize adverse selection.
4. Increase small group size to 75 – This recommendation has no merit, as it simply would pull more employers into a failing small group program or push them to self-insure. Mercer pointed out that this move caused disruption and a loss of carriers in Kentucky. With good reason, very few states differ from the 2-50 standard in the size of their small group market.
5. More Web-based information – We believe that the Maryland Health Care Commission and the Maryland Insurance Administration have good websites to assist small employers. These sites could be improved by adding links to the referenced carriers' websites. Given the state's budget problems, it is not prudent at this time to adopt a virtual compare website for carriers' small group offerings.