

**Testimony in Support of
LD 290 - An Act to Allow Maine Residents to Purchase Health Insurance
from Out-of-State Insurers**

by
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Senator Bowman, Representative Treat, and members of the Joint Standing Committee on Insurance and Financial Services. Thank you for the opportunity to testify today.

As you know, the Maine Heritage Policy Center is non-profit, non-partisan research and educational think tank with offices in Portland and Augusta.

Many elected officials at the federal and state levels are focusing on ways to make health insurance more affordable to small businesses and individuals purchasing insurance not through their employer. Two years ago, I was invited by Senator John Kerry to testify before the US Senate's Small Business and Entrepreneurship Committee on this very issue.

Only 4 states have a lower uninsured rate than Maine. Yet, twenty-nine states have more residents under age 65 covered by private health insurance. This is not because Maine is particularly poor – thirty-seven states have a higher portion of their population living in poverty. Considering the outcomes of other states, Maine would find it challenging to do more to reduce the number of uninsured, but it seems like we could do much more to increase the number of people with private health insurance.

The purpose of LD 290 is to make private insurance more affordable, give people more coverage options and thereby increase the number of Mainers with private health insurance.

We often hear that Maine has so few insurance carriers and few people with private health insurance because of our large number of small businesses. The facts do not support this myth.

Maine has only three significant active insurers in the small group market.¹ However, Connecticut, with just over twice as many small business employees, has 25 licensed small group carriers.² New Hampshire has fourteen, although it has fewer small business employees than Maine.³ Clearly, regulations matter more than the potential size of the small group market.

Forty percent of all private-sector employees in Maine work for a small employer (less than 50 employees) – far above the national average of 29 percent. Only seven states have a larger share of the private workforce working for small businesses. New Hampshire has a comparable 35 percent working for small businesses.

LD 290 seeks to create a regional small group market, building on the success of the regional approach of the Medicare Advantage and Prescription Drug Plans.

Medicare illustrates a model of a regional approach to coverage that provides more options to individuals in particularly small or rural states than would likely be available if each state were its own region. Maine and New Hampshire are combined for the Medicare Advantage (MA) and Medicare Part D Prescription Drug Plan (PDP) regions. The four remaining New England states are their own MA and PDP regions. This approach has given Maine seniors more affordable options. Let's do the same for Maine small business employees.

Buying insurance from out-of-state insurers will not reduce Mainer's coverage options but, instead, will dramatically expand them. Consider this: According the Council on Affordable Health Insurance, New England states have a total of 55 unique benefit mandates that are required in some but not all six states. However, only 28 benefit or provider mandates are required in at least half and only 16 in a majority of the New England states. Of these 16, only 10 are mandated in a majority of all 50 states.⁴

Of these 55 unique benefit mandates in New England, 24 are not mandated in Maine. Allowing Maine individuals and small businesses to purchase insurance licensed in other New England states would open up Maine to these other mandated benefit plans that have mandate coverage for:

Ambulance	Occupational Therapists
Blood Lead	Oral Surgeons
Bone Marrow Transplants	Osteopaths
Colorectal Cancer Screening	Ostomy Related Supplies
Early intervention services	Pain Management Specialist
Hair Prosthesis	Physical Therapists
Hearing Aid	Podiatrists
In-vitro Fertilization (IVF)	Professional Counselors
Lyme Disease	Second Surgical Opinion
Massage Therapists	Speech or Hearing Therapist
Newborn Hearing Screening	TMJ Disorders
Newborn Sickle cell testing	Well Child Care

Through LD 290, small businesses in Maine would have access to those same plans sold to small business throughout the Northeastern US. These out-of-state licensed plans would be in addition to Maine-based licensed health plans.

The key is to not be too restrictive and allow numerous plan options with competitive premiums. A plan and premium attractive to a 30-year-old single mom working at a small business might not be an attractive value proposition for a 55-year-old married coworker. And any coverage – even a catastrophic plan - is better than being uninsured.

Although often attention is focused on benefit mandates, Maine's costly small group insurance premiums – 2nd highest in country⁵ - are driven more by premium regulations – mostly Maine's restrictive modified community rating.

LD 290 does not just deal with the small group market but provides more options in the individual market as well. For very small businesses, entrepreneurs and many freelancers and independent contractors, the individual insurance market is the only place to purchase insurance.

Again, Maine has led the way in how not to regulate. The 2006 President of the National Association of Insurance Commissioners and former Maine Insurance Superintendent Alessandro Iuppa candidly stated in a recent interview that “a cluster of regulations that Maine policymakers put in place in the early 1990s [are driving Maine’s high health insurance costs]. These include ‘guaranteed issue’ which requires insurers to offer coverage to anyone who can afford it, regardless of pre-existing conditions; ‘guaranteed renewal’ which requires them to renew an individual policy even if the policyholder has been a very high user of services; and ‘community rating’ which regulates how much an insurer can adjust the cost of a coverage from one group to another. While many states have implemented one or two of these consumer protections, the combination of the three creates an especially burdensome environment in Maine that discourages competition and innovation.”⁶

Over 20 percent of all Maine private sector employees work for a small business with less than 10 employees. Only seven states have a larger share of employees working for very small businesses. These seven states have an average individual insurance market that covers 8 percent of all individuals under age 65, 60 percent bigger than Maine’s individual insurance market. Regulations matter. Costly individual insurance regulations force people to drop coverage or struggle to afford even the highest deductible plans. They hurt very small business and entrepreneurs both of which are a state’s economic drivers creating the vast majority of new jobs.

I would strongly urge this committee to pass LD 290. Please give Maine small business employees and individuals more affordable and varied private health insurance options. Please encourage more Mainers to buy private health insurance while maintaining our low rate of those uninsured.

¹ “Small Group Health Insurers: Employer Information.” Maine Bureau of Insurance. As of March 2008. Available at: http://www.maine.gov/pfr/insurance/employer/snapshot_small_group.htm

² Dicken, John. “Private Health Insurance: Number and Market Share of Carriers in the Small Group Health Insurance Market in 2004.” Government Accountability Office. October 13, 2005. Available at: <http://www.gao.gov/new.items/d06155r.pdf>

³ “Companies Licensed to Offer Small Group Health Plans (1-50) in the State of New Hampshire.” New Hampshire Insurance Department. As of 2007. Available at: <http://www.nh.gov/insurance/consumers/documents/smgrplist.pdf>

⁴ Bunce, Victoria Craig, JP Wieske and Vlasta Prikazsky. “Health Insurance Mandates in the States: 2006.” Council for Affordable Health Insurance. March 2006. Available at: www.cahi.org/cahi_contents/resources/pdf/MandatePub2006.pdf

⁵ StateHealthFacts.org, 2006 data.

⁶ Haskell, Meg. “The Man behind the Milestones: Maine's insurance superintendent looks back at decade in office.” Bangor Daily News. January 20, 2007. Available at: bangordailynews.com