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June 29, 2016

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

Re: 2017 Health Insurance Rate Review

Dear Commissioner Redmer:

Thank you for providing the public a hearing on the important matter of the Maryland Insurance Administration's review of health insurance carriers' 2017 rate requests for individual and small group products.

We write, consistent with our Unit's charge to advocate for and promote the interests of consumers in the health marketplace under Md. Code Ann., Com. Law § 13-10A-02 (a) and (c), to ask that you limit rate increases for 2017 so that the new premium rates are not excessive in relation to benefits, Md. Code Ann., Ins. § 11-603(c).

Consumers have recently endured substantial rate increases, along with increasing out of pocket expenses for health care, and we submit this trend requires reversal to maintain affordability and access to care in Maryland. For example, consumers enrolled in CareFirst's HMO plans have had their rates increased 30% in the last two years (10% in 2015 and 20% in 2016), and if the pending request for a 12% increase is approved for 2017, they will have experienced a 42% increase in three years. CareFirst is also seeking a 16% increase for PPO plans in 2017, which if approved, will result in a cumulative increase of *almost 50%* in three years (including 16% in 2015 and 26% in 2016).

More broadly, HEAU is concerned that the rate requests generally do not acknowledge or pass along to consumers the reduction in hospital spending arising out of Maryland's waiver program. HEAU asks that data from the Healthcare Services Cost Review Commission (HSCRC), and caps imposed by HSCRC for 2017 hospital spending, be considered in lieu of the unsubstantiated hospital spending and utilization increases assumed by the carriers.

HEAU is also concerned about carriers' morbidity assumptions and asks that data from HSCRC and the Maryland Health Care Commission (MHCC) be considered because that data is likely to establish that pent-up demand is no longer a factor,[1] and that incoming enrollees are proving healthier than initial enrollees, as time goes on.[2] The expected addition of healthier insureds in 2017 would be inconsistent with the need for significant rate increases.

We are aware that other consumer advocates are submitting comments that dispute actuarial assumptions made by CareFirst, Kaiser and Evergreen in their rate submissions. We trust that you will take those comments into consideration while conducting your own analysis to protect consumers from increases that are not fully justified.

While the basis for Kaiser's request seems straightforward, given the claims losses the company describes, other submissions merit review in a broader context. For example, the analysis of CareFirst's requests will require reconciliation of contradictions in the rate submissions and statements made by CareFirst before the legislature,[3] and in its 2016 Patient-Centered Medical Home Report.[4]

Essentially the company asserts here that its recent costs and projected costs are increasing, but asserts elsewhere that they are decreasing. Because decreasing cost trends are the norm nationwide and in this state, HEAU requests scrutiny of the factual information about actual costs contained in the

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[1] Bertko, J, What to Expect for 2015 ACA Premiums: An Actuary Opens the Black Box, NIHCM Foundation (May 2014)(pent- up demand factor means that previously uninsured persons who delayed getting treatment for their health conditions had especially high first year costs because they finally received treatment they had not sought in the past).

[2] Chandra A, Gruber J, McKnight R. The Importance of the Individual Mandate-Evidence from Massachusetts. N Engl. J Med. 2011; 364 (4):293-5.

[3] At the beginning of this year's legislative session, for example, CareFirst's CEO briefed legislators about the cost reductions produced by the company's Patient Centered Medical Home (PCMH) program. He described how primary care providers receive bonuses, funded by savings, for referring members to less expensive specialists whose quality metrics are the same as more expensive specialists, using information also found in pages 16 to 21 of the 2016 PCMH report, which graph and describe downward cost trends generally and for PCMH members, https://provider.carefirst.com/carefirst-resources/provider/pdf/pcmh-program-description-guidelines.pdf. But the pending rate submissions assert the opposite, i.e., that the projected upward trend for 2017 is 8%.

[4] https://provider.carefirst.com/carefirst-resources/provider/pdf/pcmh-program-description-guidelines.pdf. In a 2014 press release about the PCMH program, CareFirst stated the program had reduced costs since it began in 2010: "Since the program began, CareFirst has seen the overall rate of increase in medical care spending for its members slow from an average of 7.5 percent per year, in the five years preceding the program's launch, to 3.5 percent in 2013. Beyond the encouraging overall medical care spending trends, CareFirst continues to see strong performance by its PCMH program when measured against the expected cost of care for CareFirst members covered by the program. Health care costs for the 1.1 million CareFirst members covered by PCMH were $ 130 million less than projected in 2013; 3.2 percent less than the expected cost of care for this population of patients. The savings has risen from 1.5 percent in 2011 and 2.7 percent in 2012. In all, the PCMH Program has accounted for $267 million in avoided costs when measured against the projected cost of care from 2011 to 2013...[T]here is ample room for improving outcomes for our members on a sustained basis, which we are greatly encouraged by." CareFirst Press Release, Patient-Centered Medical Home Program Shows Promising Quality Trends And Continued Savings On Expected Costs (July 10, 2014).

company's Search Light Reports and other data resources used by PCMH providers to achieve savings and bonuses,[5] instead of CareFirst's contrary assumptions about increasing cost trends set forth in its rate submissions. The continued reduction of medical spending through shared savings programs like the PCMH program would be inconsistent with the need for significant rate increases as requested by CareFirst.

We ask that you consider the existing surpluses and CareFirst's nonprofit status when analyzing CareFirst's proposed increase in its "Contribution to Reserve & Risk." There have been administrative findings that CareFirst has experienced a very significant surplus in the past[6] and it is difficult, from a consumer's perspective, to understand how the company's ample reserves should grow even more, using consumers' money as they struggle to pay premiums and out of pocket costs.[7]

Thank you for your consideration.

Sincerely,

Patricia F. O'Connor

Patricia F. O'Connor
Assistant Attorney General
Deputy Director
Health Education and Advocacy Unit

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[5] *See* Section VII of the PCMH report.

[6] District of Columbia Department of Insurance, Securities, and Banking, December 30, 2014 Order finding CareFirst's surplus excessive, http://disb.dc.gov/release/commissioner-determines-carefirst-2011-surplus-excessive.

[7] A study published online this week in JAMA Internal Medicine discusses recent data showing an 86 percent rise in deductibles and a 33 percent increase in coinsurance, and that out-of-pocket costs are rising faster than health insurance premiums, http://archinte.jamanetwork.com/article.aspx?articleid=2530418. *See also* http://www.courant.com/hc-patients-pay-more-hospitals-20160628-story.html.