Consumer Health First

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Testimony: CareFirst 2017 Rate Review
Maryland Insurance Administration
August 15, 2016

Consumer Health First (CHF) is a private nonprofit organization championing health equity through access to high-quality, affordable, and comprehensive health care for all Marylanders. We appreciated the opportunity to participate at the August 15 hearing and submit below a summary of the testimony provided by Jeananne Sciabarra, CHF Executive Director, and Jay Angoff of Mehri and Skalet. We would note that we do so as a supplement to the extensive comments and analysis that we did for the initial July 5 hearing.

We are grateful to Commissioner Redmer for giving the public an opportunity to hear directly from CareFirst about why such an unprecedented revised rate filing is necessary and to allow the public the opportunity to react. We also thank Ms. Li for her insightful comments regarding the price differential between CareFirst's Maryland plans and those in the District of Columbia. We too find these figures to be particularly concerning and appreciate Ms. Li's commitment to protecting Maryland consumers from any potential cost-shifting between the jurisdictions.

Primary Concerns and Recommendations

Our concerns about CareFirst's new filing and our recommendations are summarized here and expanded upon in the sections below:

1. Serious questions remain about the validity of CareFirst's trend and morbidity assumptions, particularly those in the new filing based on just three additional months of data. Further, this data is in stark contrast to CMS's report from August 11 showing near-zero growth in per-enrollee costs from 2014 to 2015.
2. Even if all of CareFirst's calculations and projections are accurate, it is not in CareFirst's best interests, nor in the best interests of Maryland consumers, to approve these rates. Rate increases of this magnitude will ensure that the healthiest consumers will either exit the market or switch to other carriers, leaving CareFirst with only the sickest members, thus requiring large increases next year, and so on. In addition, these rates will discourage the young and healthy from entering the market, disrupting one of the core principles of the Affordable Care Act.
3. The proposed rates are drastically unaffordable for many Maryland consumers, pushing them well beyond the Internal Revenue Service's benchmark of 8.05% of family income. Given CareFirst's overall financial strength and market share, the very small percentage that the individual market accounts for in CareFirst's book of business, the opportunity to gain the healthier United Healthcare membership next year, and CareFirst's statutory mission to provide affordable, accessible health care coverage, it is difficult to understand why CareFirst feels compelled to put health insurance coverage out of the reach of many Maryland consumers.

4. We remain concerned about the possibility that CareFirst's proposed increase for Maryland residents contains within it an amount intended to make up for the losses CareFirst will experience in the District because the D.C. Commissioner has frozen its rates for a year. We refer you to Mr. Angoff's submission on this point.
5. Finally, we question whether the rate review process should even permit this filing to be considered, given the deadlines set by both Maryland and the federal government, as well as the lack of precedent in other states.
6. For these reasons, explained more fully below, Consumer Health First recommends the Maryland Insurance Administration reject CareFirst's revised rate filing, review our analysis of the original filing and significantly curtail the increases requested in the original filing, thereby ensuring that any rate increase allowed for 2017 is justifiable and affordable for Maryland consumers.

Concerns Regarding Data, Trends and Assumptions

We have included the trend and morbidity charts that Mr. Angoff provided during his testimony below for your reference: Table 1 analyzes the change in trend between the two filings; Tables 2 and 3 show the percent change in morbidity projections by metal level; and, Table 4 looks at the overall percent change in average rates between the filings by CareFirst company.

As we raised in our previous testimony, we again question the validity of CareFirst's trend assumptions, given the fact that national data, data from other carriers, and CareFirst's own data suggest a significantly lower trend.

CareFirst is now requesting a rate increase more than 130 percent higher than originally requested in May (see Table 4) driven largely by a change in the morbidity projections. CareFirst's morbidity projections increased about 17 percent between the original and revised filing for BlueChoice and 19 percent for CFMI and GHMSI based on less than a 12-month period. This is simply not enough time to represent valid and credible data on which to significantly base new morbidity projections.

We also question the validity of the even higher morbidity rate projections and wonder whether CareFirst is "double-counting" its projections for rising costs through its trend and morbidity numbers.

Contradictions Between CareFirst and CMS Data

The CMS report[1] released on August 11, shows that, in the individual ACA market, per-enrollee costs were essentially unchanged between 2014 and 2015, nationwide. In Maryland, the estimated change was between -1 percent and +2

[1] Centers for Medicare and Medicaid Services. (2016). *Changes in ACA Individual Market Costs from 2014-2015: Near-Zero Growth Suggests an Improving Risk Pool*. Retrieved from: https://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/Final-Risk-Pool-Analysis-8_11_16.pdf.

percent. The report also states: "Available evidence indicates that the slow ACA individual market cost growth resulted at least in part from a broader, healthier risk pool." These findings are completely inconsistent with CareFirst's huge premium increase request, and it is essential that the MIA get to the bottom of the discrepancies before allowing *any* rate increases.

Affordability

During the first rate review hearing, our President, Leni Preston, pointed out that one of our criteria for health care is that it be affordable and urged you to consider affordability as you review proposed health insurance premiums. This is particularly relevant as you review CareFirst's revised filings.

Section 14-102 (c) of the Insurance Article provides that the mission of a nonprofit health service plan like CareFirst is to provide affordable and accessible health insurance to the plan's enrollees. One measure of affordability is the percentage of annual income an individual or family must spend on health insurance.

According to the Internal Revenue Service, health insurance coverage is considered unaffordable if it is more than 8.05 percent of family income. By this measure, CareFirst is asking you to approve rates making health insurance *unaffordable* for many consumers.

Consider a 40-year-old single adult with an annual income of $52,000 – an income just above the level to qualify for a subsidy. If you approve the rate requested by CareFirst now, this consumer would spend almost 9 percent of his or her annual income for the lowest cost HMO silver plan in 2017 and 11 percent for the lowest cost PPO silver plan.

Now consider a family of four with two adults age 40 and two children under the age of 20 with a family income of $102,000 - again an income just above the level to qualify for a subsidy. This family would spend a little over 13 percent of their family income for a low cost HMO silver plan in 2017 and 17 percent for a low cost PPO silver plan. And these calculations *only* include the premiums, not the deductibles, copays and coinsurance required to actually use the insurance.

Testimony from consumers, as well as written comments posted to the MIA website, confirm that these rate increases would put a serious burden on Maryland consumers. Health insurance will be unaffordable for many consumers using the Internal Revenue Service's metric - an outcome that runs counter to CareFirst's statutory mission. And, as noted in the letter submitted by the Health Education and Advocacy Unit of the Attorney General's office, if these increases are allowed and then are found to be too high, consumers will never get that money back.

Rate Filing Process

Consumer Health First is perplexed that the process would allow this filing to be accepted and deeply disturbed about the potential impact on Maryland consumers. We have done extensive research on the rate filing process in other states, and we have learned the following:

- Three states have allowed carriers to resubmit rate filings because of highly unusual circumstances:
    - In Arizona, following the announced exit of a carrier after the rate filing deadline, Aetna and Cigna were permitted to revise their rate filings.
    - In Tennessee and Illinois, carriers were permitted to submit revised filings to increase rates in order to prevent a loss of competition in the marketplace.

Aside from these extreme cases, however, we were unable to find another instance in Maryland or in any other state where a carrier has revised its rate request except to address objections raised by the commissioner.

In our original testimony, we asked that the MIA continue to improve the rate review process by using the all-payer database to independently verify carriers' medical trends and working collaboratively with the HSCRC and the MHCC to identify reasonable and actionable affordability standards in order to lower health care costs and premiums. We hope that you will consider these suggestions and we also ask that you develop more clarity around the rate review process to ensure that revisions are only permitted in unusual circumstances or in response to a specific request from the Commissioner.

Conclusion

For all of the reasons outlined here, Consumer Health First strongly urges Commissioner Redmer both to reject CareFirst's revised rate filing and to review our analysis of the original filing and ensure that any rate increase allowed is justifiable and affordable for Maryland consumers. We thank you once again for the opportunity to participate in this process and for carefully considering our recommendations as well as the testimony and written comments from consumers and other advocacy groups.

Submitted by:

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Table 1: CareFirst: 5/2/16 Filing vs 7/26/16 Filing Assumed Trend			
Company	**5/2/16 Filing**	**7/26/16 Filing**	**Change from 5/2 Filing to 7/26 Filing**
Blue Choice	8.2%	9.0%	9.8%
CFMI/GHMSI	8.7%	9.5%	9.2%

Table 2: CareFirst: 5/2/16 Filing vs 7/26/16 Filing Proposed Morbidity Projections for Blue Choice				
Metal Level	**2015 Actual**	**2017 Projected 5/2**	**2017 Projected 7/26**	**Change from 5/2 Filing to 7/26 Filing**
Catastrophic	$201	$203	$302	+48.8%
Bronze	$200	$208	$220	+5.8%
Silver	$364	$399	$533	+33.6%
Gold	$487	$758	$667	-12.0%
Platinum	$1,035	N/A	N/A	N/A
TOTAL	$378	$378	$441	+16.7%

Table 3: CareFirst: 5/2/16 Filing vs 7/26/16 Filing Proposed Morbidity Projections for CFMI/GHMSI				
Metal Level	**2015 Actual**	**2017 Projected 5/2**	**2017 Projected 7/26**	**Change from 5/2 Filing to 7/26 Filing**
Bronze	$296	$316	$351	+11.1%
Silver	$515	$587	$668	+13.8%
Gold	$664	$1,064	$1,283	+20.6%
Platinum	$1,263	N/A	N/A	N/A
TOTAL	$577	$580	$691	+19.1%

Table 4: CareFirst: 5/2/16 Filing vs 7/26/16 Filing Proposed Increase			
Company	**5/2/16 Filing**	**7/26/16 Filing**	**Change from 5/2 Filing to 7/26 Filing**
Blue Choice	11.9%	27.8%	133.6%
CFMI/GHMSI	15.9%	36.6%	130.2%
Total CF	12.9%	29.9%	131.8%