Maryland
Hospital Association

June 20, 2017

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

Dear Commissioner Redmer:

On behalf of the 64 hospital and health system members of the Maryland Hospital Association (MHA), I am writing to comment on last month's insurer rate filings for the individual and small group market for the 2018 plan year. The submitted rate filings for plan year 2018:

- use inaccurate hospital spending and utilization growth trends
- ignore $230 million in savings provided to insurers through actions by the Health Services Cost Review Commission (HSCRC)
- do not demonstrate a commitment to maintain and improve the individual market given its recent stabilization

Inaccurate Data
At the outset, some filings fail to capture the basic dynamics of Maryland's unique all-payer demonstration. This year, again, the UnitedHealthCare small group filings include public to private payer cost-shifting for hospital services as justification for an average 10 to 13 percent rate increase. As you know, **under Maryland's all-payer demonstration, there is no hospital cost-shifting between public and private payers**; all pay the same rates for the same services at the same hospital. As a result, commercial insurers in Maryland pay *less* for hospital care than their counterparts in other states. We have highlighted this error each year. Insurers should be held to account by the Maryland Insurance Administration (MIA) for using accurate, Maryland-specific data in producing their rate requests.

In addition, the hospital cost and utilization trends used in the filings are inaccurate. The HSCRC has approved total hospital allowable revenue growth of just 3.12 percent in fiscal year 2018 — well below the rate used to support some insurer rate requests, which are also in many cases **three times more** than the 2.66 percent annual growth trend for hospital revenue **since the inception of the Maryland demonstration**. The chart below illustrates the range of trend data being used by insurers.

	Cost		Utilization	
Individual Market	**Inpatient**	**Outpatient**	**Inpatient**	**Outpatient**
Low	Zero percent (CareFirst CFMI)	Zero percent (CareFirst)	Zero percent (CareFirst BlueChoice and Kaiser)	Zero percent (Kaiser)
High	3.6 percent (CIGNA)	3.4 percent (CIGNA)	3 percent (CareFirst GHMSI)	1.7 percent (CIGNA)
Small Group Market	**Inpatient**	**Outpatient**	**Inpatient**	**Outpatient**
Low	-1 percent (CareFirst)	0.5 percent (Kaiser)	-3.6 percent (Evergreen)	-2.6 percent (Evergreen)
High	3.9 percent (Aetna)	8 percent (CareFirst)	17 percent (CareFirst)	3.4 percent (United HealthCare; Aetna had cited a 6.4 percent increase)

It is unclear why, year after year, insurers cite hospital cost trends that directly contradict data available from the state.

Global Budget Decision Saves Insurers $230 Million
The HSCRC reduced hospital rate increases for the upcoming fiscal year by more than $230 million, more than twice the amount of savings shared with insurers last year. Over the past two years, the Maryland demonstration has resulted in close to $350 million in shared savings to payers. Yet, there is no indication of whether these savings are, in fact, passed on to consumers. The MIA should hold insurers accountable for explaining exactly how these savings are factored into their annual rate requests.

Requests Undermine Insurers' Commitment to the State's Individual Market
Despite the public claims made by some insurers about their commitment to the state's individual market, the increasingly high rate requests tell a different story. Now, in the fourth year of qualified health plan coverage, at a time when the coverage gains (nearly 400,000 new individuals since 2014) are in jeopardy, this year's filings include the highest rate increases requested since the implementation of the Affordable Care Act (ACA). While certain aspects of the insurance reforms implemented under the ACA are in flux, the effective date for proposed changes at the federal level is at least two to three years away. In contrast, the proposed rate filings cite uncertainty at the federal level as a reason to increase costs for enrollees **now**.

Further, as the market under the ACA continues to mature, as noted last year, insurers continue to encounter a more stable market, and **less, not more**, **risk of high-cost enrollees or claims**. Several studies over this past year, notably analyses by Standard and Poor's and the Kaiser Family Foundation, found that the individual market should be profitable in the coming years, as early as 2018. It is troubling that insurers seek to raise enrollee costs now to subsidize uncertain future losses that analyses show they should be more than able to bear.

The submitted rate requests will make care unaffordable and inaccessible, will push Marylanders to disenroll from coverage, and will upend the emerging stability in the individual and small group markets.

The goal of the Maryland all-payer demonstration is to create an accountable health care delivery system that results in equitable and affordable coverage for consumers. Year after year, hospitals have advanced this goal by reducing the rate of growth in health care costs. It is time for commercial insurers to uphold their end of the bargain, by offering plans at rates that accurately reflect the cost of care, pass on state-provided savings to consumers, and demonstrate a true commitment to making the demonstration and health insurance in Maryland work.

We appreciate the opportunity to comment and your consideration. Please contact us should you need additional information or clarification.

Sincerely,

Maansi K. Raswant

Maansi K. Raswant
Director, Policy & Data Analytics