



Maryland  
Hospital Association

June 11, 2015

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

Dear Commissioner Redmer:

On behalf of the 65 member hospitals and health systems of the Maryland Hospital Association (MHA), I am writing this letter to raise several concerns about recent insurer filings for requested rate changes to be effective January 1, 2016, in both the individual and small group markets. These filings were posted by the Maryland Insurance Administration (MIA) on May 15, and we trust that our concerns can be addressed prior to any final action on the proposed rate changes.

### **Medical trend assumptions**

In their requested rate changes, we note a wide variation in hospital spending trends being used by each of these insurers. Following are examples of the wide ranges:

In the individual market:

- 3.0 percent (Evergreen) to 6.0 percent (CareFirst) for inpatient services
- 5.0 percent (Evergreen) to 8.6 percent (CareFirst) for outpatient services

In the small group market:

- 3.0 percent (Evergreen) to 12.2 percent (CareFirst) for inpatient services
- 4.0 percent (CareFirst) to 6.2 percent (United Healthcare) for outpatient services

Our concern is that all of these trend assumptions are inconsistent with the total hospital cost trends being reported by the Health Services Cost Review Commission (HSCRC). For calendar year 2014, for example, HSCRC reports total hospital cost growth of 1.47 percent per capita, with inpatient cost per capita declining by 0.69 percent, and outpatient costs growing by 4.63 percent per capita. For the fiscal year ending June 30, 2016, HSCRC has approved total hospital cost growth of 2.61 percent. The commission has further indicated with its action of June 10 that **the cumulative hospital cost growth for the 30-month period ending June 30, 2016, will be 5.24 percent.**

While we appreciate that the trends cited from HSCRC's published results are on a statewide level and not for individual specific plans, it would be appropriate for MIA to provide a reconciliation of these varying medical cost trends in order for the public to be assured that the final rates being approved use data consistent with the broader public data being reported on hospital spending.

As MIA is aware, Maryland's new waiver, effective January 1, 2014, has placed an annual limit on total hospital spending set by HSCRC, unlike prior years, where only the unit rate increase was known by insurers and total utilization growth had to be estimated. ***It is critical to demonstrate that the significantly lower rates of growth in total per capita hospital spending be translated into significantly lower rates of growth in insurer premiums.*** As proposed, the insurer rates would go in precisely the opposite direction, in some cases rising exponentially greater than the growth in hospital spending.

### **Public input into the rate-setting process**

Four years ago, MHA submitted written comments to MIA in response to recommendations MIA had received from Oliver Wyman Actuarial Consulting regarding proposed improvements to MIA's rate review process. Since that time, MIA has implemented a web-based approach to receive public comments on the submitted insurer rate requests. A more public input process, similar to the HSCRC's public process for hospital rate updates, should be employed by MIA.

We applaud the commissioner's decision to hold a public hearing on the current proposed increases, and would urge similar action on future requests. Without this public hearing process, only those who regularly review MIA's website have the opportunity to get a sense of any concerns being expressed by the public regarding the magnitude of these proposed requests. A more open approach can be designed, particularly given the limited number of insurers and plan rate requests that have been submitted in the individual and small group markets. This process would also allow MIA to provide responses to the comments made by the public; it is unclear, at present, what responses MIA provides regarding the concerns that have been raised via its website.

Additionally, MIA should consider extending the timeframe for public review and comment on future rate requests by 30 days. Given the level of detail that must be reviewed to understand the justification behind the rates being requested, it is important that the public have sufficient time to engage its own experts if it is interested in doing an independent evaluation of the insurer rate requests.

I appreciate your consideration of these concerns. If you have any questions regarding our comments, please contact me.

Sincerely,



Michael B. Robbins,  
Senior Vice President