Recommendations Regarding the Massachusetts Merged Market

The Massachusetts Association of Health Underwriters (MassAHU) is a membership organization of licensed, professional health insurance brokers, consultants, and employee benefit specialists, established in Massachusetts as a state chapter of the National Association of Health Underwriters (NAHU). MassAHU is dedicated to providing advocacy and education on behalf its members as well as consumers and businesses, large and small, with respect to their health insurance needs. We share the concerns of the state, the members of the Merged Market Advisory Council, and all stakeholders in securing a financially stable individual and small group market in Massachusetts.

Background

Massachusetts health care reform brought sweeping changes to the Massachusetts health insurance market, and Chapter 58, our landmark health insurance reform bill, became the model for the design and passage of the Affordable Care Act (ACA) in 2010.

Although Massachusetts had already merged its individual and small group market in 2006, the ACA gave states the option to merge the individual and small group markets in 2014 rather than maintaining separate risk pools. The stated purpose of merging the markets was to create a larger risk pool to better stabilize premiums and improve economies of scale. Only Vermont, the District of Columbia have since implemented a merged market approach, although other states have studied the proposal and opted not to merge due to concerns over impact on small group premiums. (e.g. California). Maine, however, has recently decided to merge their markets based on their unique population and legislative environment.

Current Market Status

As states are struggling with affordability issues today, Massachusetts is contemplating demerging the market. From 2007 until 2018, small group enrollment has decreased from 795,000 to 423,000. During the same period, individual enrollment has grown from 46,000 to 315,000. The two markets are

gravitating towards equal market representation, as evidenced by the most recent enrollment numbers released by the state for 2020.

There are many factors which contribute to this shift in markets, and we believe that recent federal legislation and emerging business and economic trends will continue to result in contraction of the small group market and growth of the individual market. Although exact numbers are not available for the cause of the shift, we believe the main contributing factors to this trend are: 1) younger employees opting out of higher cost employer plans in favor of lower cost individual plans; 2) loss of employment and/or benefits due to Covid-19; and 3) growing number of individuals who are eligible for ACA subsidies due to reduced income in the downturned economy. Looking forward, we anticipate further shift away from group enrollment and growth of the individual market as employers migrate to ICHRA plans, alternate funding and PEO's and the pandemic takes its toll on business and the economy.

On the surface, the Massachusetts merged market appears to be functioning reasonably well, with a broad choice of carriers, plans and networks. However, premium increases are 3-4 times the rate of ordinary inflation (CPI) and the financial impact on premiums is compounded by Massachusetts having the second highest healthcare expenses per capita in the nation, after Washington, DC.

Merged Market Pricing

The stable yet unsustainable pricing in the small group market has been somewhat moderated by Section 1332 waivers from HHS, which allow for some deviation from the allowable rating factors dictated by the ACA. These deviations were to sunset in 2020, but the MA Health Connector submitted and received approval for continued use of two factors in the small group market. These factors are for group size and cooperative health plans. Other factors approved for use in Massachusetts since the passage of ACA which are no longer permitted include industry, participation, and wellness.

When the individual and small group markets merged in 2006, Massachusetts General Law required health plans with 5,000 or more lives covered in MA to offer individual health insurance plans in the state. From the outset, small group plans have subsidized individual plans in the state. However, with the passage of the ACA and establishment of federal subsidies for individuals, the individual market has been bifurcated into subsidized and unsubsidized plans. Through actuarial findings presented to the Merged Market Advisory Council, we learned that the risk scores in the subsidized individual market are

favorable and on par with the small group market, whereas the unsubsidized market risk factors are higher. As a result, we now have evidence that not only is the small group market subsidizing the individual market, but within the individual market, the unsubsidized (full premium) plans are being subsidized by the subsidized (Connector Care) plans.

Contributing to the unaffordability issue, especially for younger individuals, is the state's age-based rating ratio set at 2:1 (vs. the national standard of 3:1). This results in artificially compressing rates, with younger insureds subsidizing older insureds' rates.

MassAHU's General Recommendations for the Merged Market

MassAHU holds to certain principles which we believe should be used to guide and uphold a healthy individual and small group market in Massachusetts. These principles are as follows:

Equity

Products, pricing and compensation should be the same across all distribution channels, whether through carriers, Connector, or private exchanges.

Distribution of both individual and group health insurance should be facilitated through licensed professional brokers and agents, who maintain professional status through continuing education requirements and oversight by the DOI.

Transparency

The price of healthcare services should be publicly and easily available to consumers before they choose providers and receive services.

Quality metrics of healthcare providers should be publicly and easily available to consumers before they choose providers and receive services.

The responsibility for collecting and distributing this information should rest with an independent third party, with no conflict of interest and with authority for accountability.

Market-Driven Solutions

The private market, as opposed to state mandates, should drive evidenced-based product and plan design innovation. When a legislative mandate is imposed regarding coverage, plan design, or network, the mandate should be 'scored' to determine the cost impact prior to voting on passage.

Plan pricing should be based on actuarial results and market competition, with few state mechanisms to deviate from those results.

Recommendations on MMAC-Identified Issues

MassAHU commends the work of the MMAC and especially Bela Gorman for the most recent actuarial information to help council members make recommendations regarding the merged market. MassAHU believes that any reforms made in the market encompass the following two focus areas:

Consumers must be at the center of our efforts to rein in healthcare and health insurance costs. We need to actively support both healthcare literacy and transparency of price and quality.

Solutions must distinguish between the price of healthcare and the cost of health insurance. Insurance is a risk financing mechanism for the delivery of healthcare services.

Having stated these two primary concerns, our specific recommendations are as follows. As we anticipate other members will put forth additional, and sometimes contrary, recommendations, we invite the MMAC members to engage our association leadership and the two broker representatives on the MMAC, Mark Gaunya and Rose Lopes, in further discussion.

MassAHU's Specific Recommendations for the Market

Demerge the individual and small group market in conjunction with the establishment of a re-insurance mechanism to protect the demerged individual market from the volatile impact of high-cost claimants. As per the reinsurance design discussion led by Ms. Gorman and her actuarial study, we support the principle of holding the unsubsidized individual market harmless (no shift in cost or change in rates) and a 3-4% savings to the small group market.

Strengthen and promote greater healthcare price and quality transparency. Create a consumer education and healthcare literacy program in the state, including making healthcare data more visible to consumers, easier to use/understand and valuable in making healthcare decisions. Amend Chapter 224,

authorizing the Health Policy Commission (HPC) to regulate this provision and hold all parties (health plans and providers) accountable to the same standard.

Create consistency in products and pricing in the small group market across all distribution channels, with pricing based on actuarial evidence. Adjustment factors pursued through Section 1332 waivers should be supported by actuarial evidence, and age rating factors should conform with federal ACA requirements (3:1 vs. 2:1). Wellness discounts through Connect Well should be actuarially supported and available to all small groups, not restricted only to the Connector.

Review the impact of maintaining separate state requirements vs. federal ACA requirements, with a goal of suspending state requirements in lieu of ACA for rules such as Minimum Loss Ratio, Minimum Creditable Coverage, etc. These differences result in confusion, increased administrative costs and compliance concerns for employers who are based in MA or who have employees located in MA.

Provide employers in the small group market, and for the community-rated-by-class (CRC) large group market (51-99 lives) with insightful data analytics like MLR and high-cost claimants. The Division of Insurance serves an important role in the oversight and financial health of health plans. In that role, reasonable disclosure requirements should be established for the sale of alternative products in the small group market, including MEC plans, self-funded plans and ministry-sharing plans.

These recommendations are respectfully submitted to the members of the Merged Market Advisory Council, on behalf of the Massachusetts Association of Health Underwriters (MassAHU) by President Matthew Shadrick, on January 20, 2021.