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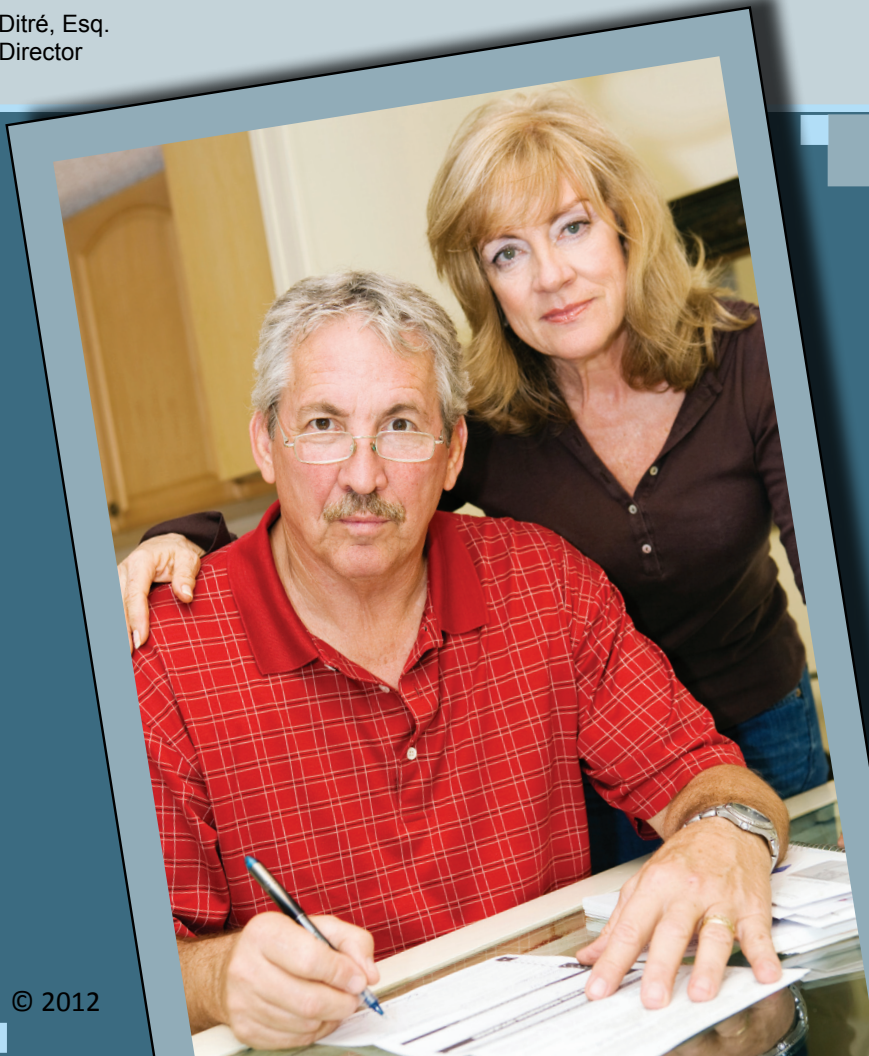
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# Few Winners, Many Losers:



Evaluating the Impact of Key Provisions of  
Maine's New Health Insurance Law To Date

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CAHC



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# Table of Contents

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<b>Summary of Key Findings</b> .....	<b>page 1</b>
<b>Discussion of the Four Key Provisions</b> .....	<b>page 4</b>
1. <i>How the New Law Changes the Age, Geography, and         Other Factors Used to Set Rates</i> .....	<i>page 4</i>
2. <i>How Maine’s New Law Allows Health Insurance Companies to Close         Individual and Small Group Books of Business</i> .....	<i>page 13</i>
3. <i>How The Reinsurance Tax Works: Who Pays, How Much, and         What It Does</i> .....	<i>page 18</i>
4. <i>How Maine’s New Law Changes the Way That Rate Increases         Are Reviewed</i> .....	<i>page 22</i>
<b>Conclusions</b> .....	<b>page 25</b>
<b>Endnotes</b> .....	<b>page 27</b>
<b>Appendices</b> .....	<b>page 31</b>

## Summary of Key Findings

The new health insurance law (Public Law 2011, Chapter 90)<sup>1</sup> represents the most sweeping changes to Maine's insurance market in many years. Supporters of the law said that Maine's health insurance market was the most regulated in the United States<sup>2,3</sup> and that free market competition would lower insurance premiums and result in previously uninsured Mainers gaining access to affordable insurance.<sup>4</sup> They argued that it would not raise rates on older policyholders<sup>5</sup> and it would lower rates for younger uninsured people, who then would buy insurance expanding the insurance pool, spreading risks, and lowering costs for everyone.<sup>6,7</sup>

Supporters went so far as to claim that *all* of Maine's uninsured would have affordable health insurance.<sup>8</sup> They also claimed that regulations in effect at the time were burdensome to Maine's insurance industry, and if such regulations were changed, insurance premiums would be affordable for everyone.<sup>9</sup>

While the new law was unprecedented in its breath and scope and is still in the process of being implemented, **four of the major provisions** of the law have already resulted in changes from which conclusions can be drawn. These conclusions refute the claims made by the law's supporters.

### ***Chapter 90 Increased Premiums Based On Age, Geography, and Additional Factors***

Chapter 90 permits insurance companies to increase the difference between what they charge older or rural customers compared to younger or urban customers in the individual and small group markets.<sup>10</sup>

**Impact:** Maine's largest individual health insurance company (Anthem) increased premium rates for the majority of its policyholders, in particular, for older policyholders.<sup>11</sup> No subsidies were made available to individuals with household incomes at or below 400% of the federal poverty level as they will be in 2014 under the Affordable Care Act. For Maine's small businesses, premium renewal rates increased for the vast majority of small businesses *in all geographic areas*, and premium rates increased most significantly for small businesses in Northern and Eastern Maine (Aroostook, Penobscot, Piscataquis, Knox, Hancock, Lincoln, Waldo, and Washington counties).<sup>12</sup> It is too early to tell whether more young uninsured people are buying insurance, but it's unlikely. Among the few rates that actually decreased, they did not decrease a significant amount, suggesting that the current prices are likely still unaffordable without the ACA subsidies that will be available in 2014.

### **Chapter 90 Allowed for Introduction of New Plans with Less Benefits and Increased Cost-Sharing**

Chapter 90 permits an insurance company to “close” its individual or small group book of business<sup>13</sup> and issue new plans.<sup>14</sup> These new plans become part of the insurance company's “open” book of business.

**Impact:** To date one company (Anthem) offered a new health insurance product in Maine's individual market. The new product (HealthChoice Plus) drastically reduced benefits, increased deductibles, and increased cost-sharing when compared to the company's previous products in its closed book of business. For example, the new product now requires separate deductibles for in-network and out-of-network services after which the plan pays only 70% for in-network and 60% for out-of-network services, eliminates maternity benefits, and adds a separate deductible of \$1,000 for prescription drugs after which the plan pays only 60% for in-network pharmacies and 50% for out-of-network pharmacies. This result is in stark contrast to the assurance that free market competition would produce better insurance choices at much lower costs.

### **Chapter 90 Levied a New Reinsurance Tax**

Chapter 90 imposes a new tax that requires every privately insured person in Maine to pay up to \$4 per month, or up to \$6 per month if more money is needed.<sup>15</sup> The money will fund a new private, nonprofit corporation,<sup>16</sup> which applies the tax and other funds to cover claim costs submitted for payment by insurance companies for higher risk individual policyholders. Because this new organization is not part of the state government, it is not subject to public meeting laws so decisions on how the tax revenue is spent are made behind closed doors and are not open to the public.

**Impact:** Maine's individual, small group, and large group policyholders will pay a tax of \$22 million (which may go up to \$33.5 million)<sup>17</sup> to reimburse insurance companies for claims for people that the insurance company identifies based on “*a person's claim history or risk scores or any other reasonable means.*”<sup>18</sup> The portion of the tax increase allocated to insured small and large groups will increase their premiums by 1% - 2% at the \$4 per member per month (PMPM) level, and could go higher.<sup>19</sup> Additionally, everyone applying for a new individual insurance policy will have to complete a health status questionnaire.<sup>20</sup>

## **Chapter 90 Weakened Rate Review**

Chapter 90 permits an insurance company in the individual market to file its rate increases on a "file and use" basis if they are under 10% and spend at least 80 cents of each premium dollar on medical care and quality improvement.<sup>21</sup> Thus, the Bureau of Insurance looks at an insurance company's proposed rate increase for errors and compliance with Maine and federal laws, but does not hold a public hearing or approve or deny it.<sup>22</sup>

**Impact:** Changes to Maine's "prior approval" standard resulted in no public hearings to date and a determination that the proposed rate increase filed this year by Maine's largest individual insurance company (Anthem) was not excessive, therefore, there was no reduction in the company's proposed increases. In applying Chapter 90's new standard, the Bureau determined that Anthem's request for an increase after the company received almost \$11 million in reinsurance tax payment was "not excessive"<sup>23</sup> and neither was the company's request for 3% or \$1.8 million in profits. If this weakened standard had been applied to Anthem's 2011 rate increase request and the previous increase had gone through as filed, over \$2 million dollars more would have been paid by Maine consumers to the profit line alone.<sup>24</sup>



## Discussion of the Four Key Provisions

### 1. How Maine's New Law Changes the Age, Geography, and Other Factors Used to Set Premium Rates

#### Individual Market Rating Changes

Under Maine's age and geographic rating factors for the individual (non-group) market prior to the adoption of Chapter 90, insurance companies were prohibited from charging older and rural customers more than 1.5 times the premiums charged to the youngest customers in urban areas *on a combined basis*.<sup>25</sup> A policyholder in the oldest age band regardless of geographic area could not be charged more than 1.5 times the premium rate charged to a policyholder in the youngest age band.<sup>26</sup> That means that the oldest customers in Aroostook or Washington Counties, for example, could not be charged a premium rate that was more than 1.5 times the premium charged to the youngest customers in more urban settings such as Cumberland County. Using \$300 per month as a base premium for the youngest enrollee in an urban area, under the prior rating factors, the highest premium rate an insurance company could charge an older person in the oldest age band in a rural area would be \$450.

Now, under Chapter 90, insurance companies selling individual contracts in

Maine can charge higher premiums based on four factors: age, geographic location, tobacco use, and family composition.<sup>27</sup> Age and geography are no longer combined and therefore can be applied separately. Tobacco users can now be penalized with higher premiums. Each of the four rating factors can be applied separately. For example, the age factor (for rate increases effective July 1, 2012) is 3-to-1,<sup>28</sup> the geographic factor is 1.5-to-1,<sup>29</sup> and the tobacco use factor is 1.5-to-1.<sup>30</sup> Using the same example from above, if the lowest premium rate for the youngest, urban, non-tobacco user were \$300 per month, then the highest premium rate for the oldest, rural, tobacco user could be \$2,025 per month ( $\$300 \times 3.0 \times 1.5 \times 1.5$ ). When combined, the highest to lowest rate variation as shown is 6.75-to-1 (\$2,025/\$300).

A notable difference between the federal Affordable Care Act (ACA) and Maine's Chapter 90 is that the federal law set a ceiling on the age rating factor at a 3-to-1 ratio. The ACA ceiling limits the variation that an insurance company can charge to a policyholder in the oldest age band to 3 times the premium charged to a policyholder in the youngest age band. The federal ceiling allows States like Maine to keep their more stringent standards (1.5 to 1 before Chapter 90) to better protect



**Table 1.** Select Individual Health Insurance Rating Factors Under Chapter 90, Maine (Open Book)

Select Individual Health Insurance Rating Factors in Maine by Effective Date (Open Book)			
Effective Date	Age Factor*	Geographic Factor	Tobacco Use Factor
July 1, 2012	3-to-1	1.5-to-1	1.5-to-1
January 1, 2014	4-to-1	1.5-to-1	1.5-to-1
January 1, 2015	5-to-1	1.5-to-1	1.5-to-1

Source: Consumers for Affordable Health Care

\* The Affordable Care Act limits the age rating factor to a maximum variation of 3-to-1. Maine’s new law would have allowed age variation up to 5-to-1 if the U.S. Supreme Court had declared the Affordable Care Act unconstitutional. If the federal ACA were repealed by Congress, Maine could revert to these higher factors.

older citizens (or to adopt more stringent standards if they so choose). Also, the ACA does not require states to comply with its limitations on rating factors until January 1, 2014 when federal subsidies will be available to offset or mitigate the impact of the new higher premium rates. The ACA provides sliding scale subsidies to households with annual incomes at or below 400% of federal guidelines, that is currently about \$6,364 a month or \$76,360 a year in household income for a family of 3. In contrast, Chapter 90 permits insurance companies to raise their premiums beginning in October 2011 on older and rural customers (and tobacco users) without providing subsidies to those hit hardest by the higher premium rates. Without subsidies, the rate shock is dramatic.

*Impact on Individual Rates to Date*

Maine is the oldest and most rural state in the United States. According to 2010 U.S. Census Bureau data, Maine has the highest median age (42.7 years) of all states. As a proportion of its overall population, Maine has more older citizens than any other state. Table 2 provides the median age for each Maine county. Ten of Maine’s 16 counties have a median age above 42.7 years. Also, Maine is the most rural state in the nation. According to 2010 U.S. Census Bureau data, 61.3 percent of Maine’s population lived in rural areas.<sup>31</sup> These are important facts when considering the higher age and geographic rating factors permitted by Chapter 90, Maine’s new health insurance law.



Anthem Health Plans of Maine, Inc.<sup>32</sup> is the largest insurer in Maine by enrollment and has the largest share of the individual market. Proponents of Chapter 90 have used Anthem's most recent rate filing to assert that insurance rates were substantially lower. However, Anthem's own analysis of the rate impact by age category for all of the products subject to its rate filing show that 2012 rates increased – not decreased – for the majority of the company's individual policyholders. Anthem's distribution of rate changes by age band for its in-force policies shows:

- The majority of Anthem's individual policyholders (53.6%) saw rate increases (Table 3).
- Ninety-one percent (91%) of Anthem's individual policyholders ages 55 - 59 saw rate increases (Table 3).
- One hundred percent (100%) of Anthem's individual policyholders 60 or older saw significant rate increases (rate increases of 18% or more) (Table 3).
- Forty-six percent (46.4%) of Anthem's individual policyholders saw rate decreases (Table 3).
- One hundred percent (100%) of Anthem's individual policyholders 39 or younger saw rate decreases (Table 3).

**Table 2.** Maine Median Age by County

County	Median Age
Androscoggin	39.4
Aroostook	44.4
Cumberland	40.3
Franklin	41.8
Hancock	45.2
Kennebec	41.8
Knox	45.7
Lincoln	47.2
Oxford	43.6
Penobscot	39.4
Piscataquis	47
Sagadahoc	42.8
Somerset	43.2
Waldo	43.3
Washington	45
York	42.1

Source: 2006-2010 American Community Survey Selected Population Tables, U.S. Census Bureau

While Anthem's rate filing did not include the numeric values underlying Table 3, the filing did provide an Exhibit,<sup>33</sup> which can be used as a proxy. According to Anthem's migration modeling Exhibit (see Table 8 below), out of the 6,113 individual policyholders expected to retain their coverage at the time of the rate filing, only 489 (less than 8%) were under 40 years old. On the other hand, 3,670 (more than 60%) were age 55 or older. In other words, of policyholders expected to retain their coverage, the majority will experience rate increases, some as high as 18%.

**Table 3.** Distribution of Anthem 2012 Individual Rate Changes by Age Band Under Chapter 90

Age Band	Decrease	Increase				
	<0%	Up to 10%	10% to 20%	20% to 30%	30% to 40%	Total
0 - 29	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
30 - 39	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
40 - 44	80.1%	19.9%	0.0%	0.0%	0.0%	100.0%
45 - 49	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
50 - 54	95.8%	4.2%	0.0%	0.0%	0.0%	100.0%
55 - 59	9.0%	73.8%	16.8%	0.4%	0.0%	100.0%
60 - 64	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
65 +	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
		<b>18.0%</b>	<b>35.5%</b>	<b>0.1%</b>	<b>0.0%</b>	
<b>Total</b>	<b>46.4%</b>	<b>53.6%</b>				<b>100.0%</b>

Source: Anthem Health Plans of Maine, Inc., email communication with Maine Bureau of Insurance

Mega Life and Health Insurance Company<sup>34</sup> and Harvard-Pilgrim Health Plans<sup>35</sup> are the insurance companies in Maine with the second and third largest individual books of business respectively. MegaLife filed its application for a rate increase shortly before this report was in its final stages of writing and is in the process of being reviewed by the Maine Bureau of Insurance.

### Small Group Market Rating Changes

Chapter 90 permits an insurance company in Maine’s small group market to charge higher premiums based on seven rating factors: age,<sup>36</sup> geographic location,<sup>37</sup> tobacco use,<sup>38</sup> family composition,<sup>39</sup> group size,<sup>40</sup> industry/occupation,<sup>41</sup> and participation in a wellness program.<sup>42, 43</sup> Six of the seven rating factors are separate

factors. The federal ACA prohibits use of group size as a separate factor, and Chapter 90 was amended in April 2012 to combine age and group size as one factor.<sup>44</sup> The six factors can be stacked, meaning that each of them can be applied separately. Prior to Chapter 90, age and geographic area formed a “composite rating band,” meaning that an insurance company could not apply these factors separately, but rather the factors had to be applied on a combined basis, so that the highest to lowest rate variation for age and geography could not exceed 1.5-to-1. For example, prior to Chapter 90, using \$300 per month as a base premium for the youngest enrollee in an urban area, under the prior rating factors, the highest premium rate an insurance company could charge an older person in the oldest age band in a rural area would be \$450

[\$300 x 1.5]. Under Chapter 90, beginning on October 1, 2012, based on age and geographic area factors alone, using \$300 as a base premium for the youngest enrollee in an urban area, the highest premium rate an insurance company could charge an older person in the oldest age band in a rural area would be \$1,125 [\$300 x 2.5 x 1.5].

A notable difference between the federal Affordable Care Act (ACA) and Maine's Chapter 90 is that the federal law set a ceiling on the age rating factor at a 3-to-1 ratio. As stated in the individual rate

section above, the ACA ceiling limits the variation that an insurance company can charge a policyholder in the oldest age band to 3 times the premium charged to a policyholder in the youngest age band. The federal ceiling allows States like Maine to keep their more stringent rating standards or to adopt more stringent standards that protect older citizens.

Also, the federal ACA does not require States to comply with its limitations on rating factors until January 1, 2014 when currently available tax credits to qualifying small businesses will increase

**Table 4.** Select Small Group Rating Factors Under Chapter 90, Maine (Open Book)

<b>Select Small Group Rating Factors in Maine By Effective Date (Open Book)</b>				
<b>Effective Date</b>	<b>Age and Group Size Factor*</b>	<b>Geographic Factor**</b>	<b>Industry/ Occupation Factor***</b>	<b>Tobacco Use Factor</b>
October 1, 2011	(Age only) 2-to-1	1.5-to-1	Unlimited	1.5-to-1
October 1, 2012	2.5-to-1	1.5-to-1	Unlimited	1.5-to-1
January 1, 2014	3-to-1	1.5-to-1	Unlimited	1.5-to-1
January 1, 2015	4-to-1	1.5-to-1	Unlimited	1.5-to-1
January 1, 2016	5-to-1	1.5-to-1	Unlimited	1.5-to-1

Source: Consumers for Affordable Health Care

\* The Affordable Care Act limits the age rating factor to a maximum variation of 3-to-1. Maine's new law would have allowed age variation up to 5-to-1 if the U.S. Supreme Court had declared the Affordable Care Act unconstitutional.

\*\*Based on filings with the Maine Bureau of Insurance the highest small group geographic rating factor used by one insurance company effective July 1, 2012 will be 1.3 or 130% affecting Aroostook, Hancock, Penobscot, Piscataquis, and Washington counties. See Appendix B.

\*\*\* The federal Affordable Care Act does not permit industry/occupation to be used as a rating factor. Chapter 90 was amended by Chapter 364 to permit it if the U.S. Supreme Court had declared the Affordable Care Act unconstitutional . If the ACA were repealed by Congress, it could then be used. No limit was set in the new law on this rating factor and the Superintendent may adopt methodologies for its use.

from 35% to 50% of their contribution to their employees' health insurance. Tax credits help businesses to afford coverage and help to lower costs to employees. In contrast, Chapter 90 permits insurance companies to raise their premiums on older and rural customers as well as those in certain industries (and tobacco users) beginning in October 2011 without providing subsidies to employees or tax credits to qualifying small businesses. Without subsidies or tax credits, the rate shock is dramatic.<sup>45</sup>

*Impact on Small Group Rates*

The Maine Bureau of Insurance compiled data regarding small group renewal quotes provided by Anthem Health Plans of Maine, Inc., Aetna, and HPHC Insurance Company for the last quarter of 2011 and the first quarter of 2012. These are the most recent quarters available for which there is comparable data available for the same quarter in the prior year.<sup>46</sup> The data show the impact of Chapter 90's small group rating factors (e.g., age, group size, geographic area, etc.) on small business renewals by area. For comparison

purposes the Bureau also compiled the same data for the last quarter of 2010 and the first quarter of 2011 for the same three companies. See Appendix C. In addition, the small group geographic rating factors effective July 1, 2012 and October 1, 2011 can be found in Appendices B-1 and B-2.

The primary rating factors used by the insurance companies listed were age, group size, and geographic area. While tobacco use has been available to insurance companies for many years as a rating discount, it has not been used, but will likely be used now that it can be used to adjust rates upwards under the new law. Also, the new law permitted insurers to use industry and occupation and participation in a wellness program as rating factors, but most insurers did not use these factors possibly in anticipation of the adoption of rules or guidance by the Bureau.

The Bureau of Insurance broke the data down into five geographic areas: North, East, Central, West, and South. The counties that fall into these five areas are shown below.

<b>Area Key</b>				
<b>North</b> Aroostook, Penobscot, Piscataquis	<b>East</b> Knox, Hancock, Lincoln, Waldo, Washington	<b>Central</b> Androscoggin, Kennebec, Sagadahoc	<b>West</b> Franklin, Oxford, Somerset	<b>South</b> Cumberland, York

Source: Maine Bureau of Insurance (2012)

The data collected by the Bureau as displayed in Table 5 on the next page show the following results:

- Over ninety-six percent (96.3%) of small businesses in Northern Maine received rate increases under Chapter 90 in the two quarters (4 Q 11 and 1 Q 12) shown; less than four percent (3.7%) received rate decreases.
- Almost ninety-seven percent (96.6%) of small businesses in Eastern Maine received rate increases under Chapter 90; while less than four percent (3.4%) received rate decreases.
- A full ninety-three percent (93%) of small businesses in Central Maine received rate increases under Chapter 90; while only seven percent (7%) received rate decreases.
- Almost ninety-seven percent (96.6%) of small businesses in Western Maine received rate increases under Chapter 90; under four percent (3.4%) received rate decreases.
- Almost eighty-five percent (84.5%) of small businesses in Southern Maine received rate increases under Chapter 90; while almost sixteen percent (15.5%) received rate decreases.

*Small group rate increases up to 20% by area:*

- Southern Maine had the largest percentage (64.8%) of rate increases up to 20% followed by Central Maine (56.5%); Western Maine (55.7%); Eastern Maine (43.3%); and Northern Maine (42.5%) (Table 5). When compared with businesses that had increases over 20% (below), more Southern Maine businesses fared better than their Northern and Eastern Maine counterparts.

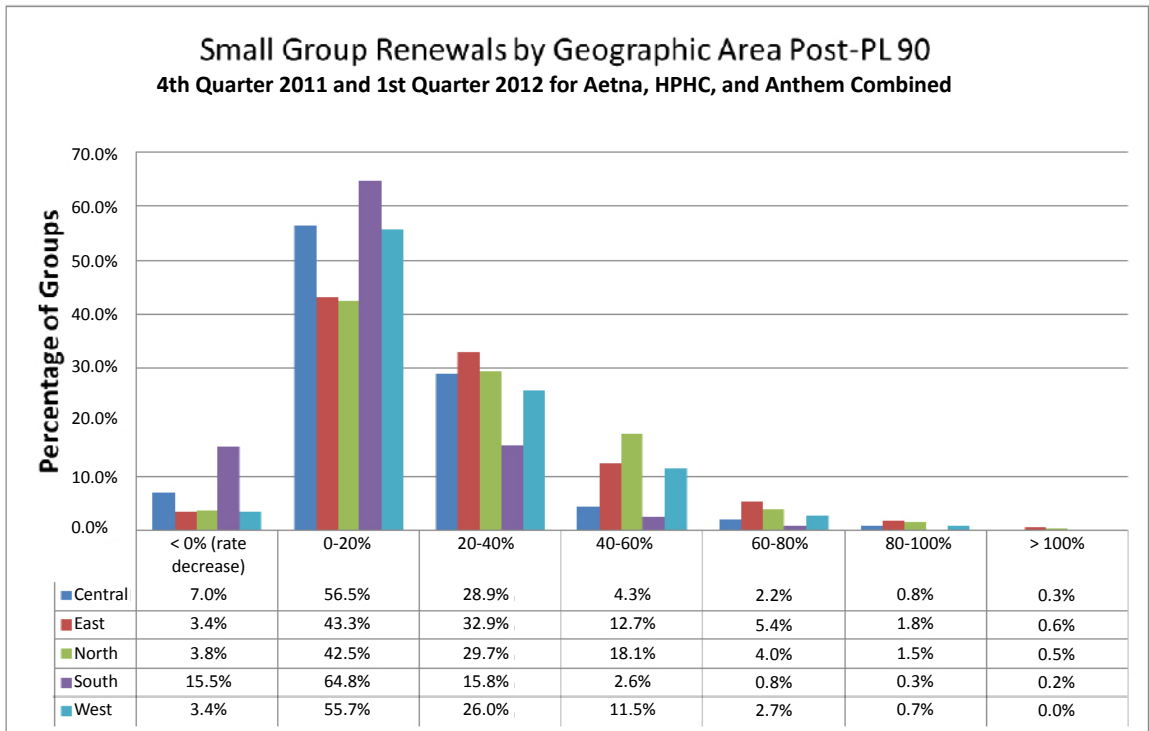
*Small group rate increases over 20% by area:*

- Northern Maine had the largest percentage (53.8%) of rate increases over 20% followed by Eastern Maine (53.4%); Western Maine (40.9%); Central Maine (35.6%); and Southern Maine (19.7%) (Table 5).

Percentages without the underlying numeric values may tend to overstate or understate the data. Table 6 below provides the numbers that correlate with the percentages found in Table 5 below.

- Southern Maine had the highest number (409) of small businesses that received rate decreases under Chapter 90; that accounts for only 15.5% of all Southern Maine small businesses that were quoted renewal rates during the first two quarters captured in the most recent data available; conversely Southern Maine had the highest

**Table 5.** Small Group Renewal Rate Changes by Percentage by Geographic Area After Chapter 90



Source: Maine Bureau of Insurance (2012)

number (2,223) of small businesses that received rate increases, which accounts for 84.5% of Southern Maine small businesses (Table 6).

- Southern Maine had the highest number (1705) of small businesses that received rate increases up to 20% and also the highest number (518) that received rate increases over 20% with 415 businesses receiving rate increases from 20% to 40% (Table 6).
- Central Maine had the next highest number (63) of small businesses that received rate decreases under Chapter 90; of course that accounts for only 7% of all Central Maine small businesses reported; conversely Central Maine had the next highest number (843) of small businesses that received rate increases, which accounts for 93% of Central Maine businesses (Table 6).
- After Southern Maine, Central Maine had the next highest number (512) receiving increases up to 20% (Table 6).
- While Northern Maine had the highest percentage (47.8%) of small businesses

**Table 6.** Small Group Renewal Rate Changes by Number by Geographic Area After Chapter 90

<b>Anthem, Aetna, and Harvard-Pilgrim Small Group Renewal Rates 4Q11 and 1Q12</b>										
Geographic Area	Decrease	Increase								
	<0%	0% - 20%	20% - 40%	40% - 60%	60% - 80%	80% - 100%	Over 100%	Total	% Rate Increases by Area	% Rate Decreases by Area
Central	63	512	262	39	20	7	3	906	93.0%	7.0%
East	27	345	262	101	43	14	5	797	96.6%	3.4%
North	23	258	180	110	24	9	3	607	96.2%	3.8%
South	409	1705	415	68	21	9	5	2632	84.5%	15.5%
West	10	165	77	34	8	2	0	296	96.6%	3.4%
<b>Totals</b>	<b>532</b>	<b>2985</b>	<b>1196</b>	<b>352</b>	<b>116</b>	<b>41</b>	<b>16</b>	<b>5238</b>	<b>89.8%</b>	<b>10.2%</b>
		<b>4,590</b>								

Source: Maine Bureau of Insurance (2012) as modified by Consumers for Affordable Health Care to incorporate the percentage of rate increases and decreases displayed in the last two columns.

receiving rates increases from 20% to 60% (290 out of 607), Eastern Maine had the largest number (363) of small businesses, outside those in Southern Maine, which received rate increases from 20% to 60%, which accounts for 45.5% of Eastern Maine businesses (Table 6).

The Bureau of Insurance provided a short analysis comparing small group renewals on a Pre-Chapter 90 to Post-Chapter 90 basis. It states in relevant part:

*There have been rate decreases in the past, but for the 6 months after implementing PL 90, 10.2% of renewals reflect decreases compared to 3.3% before PL 90. Also, while the distribution of increases and decreases in past years show no*

*marked variation by geographic area, this year, the proportion of small employers receiving rate decreases was higher in the southern part of the state (Cumberland and York) and the proportion receiving increases larger than 40% was higher in the northern part of the state (Aroostook, Penobscot, and Piscataquis) and in the eastern part of the state (Knox, Lincoln, Waldo, Hancock, and Washington).*

*Maine Bureau of Insurance, Small Group Health Insurance Renewals by Geographic Area, Executive Summary, December 2011, p. 1*

The Bureau's analysis confirms that a greater proportion of small businesses in more rural areas, which have older



populations as shown in Table 2, were quoted significantly higher premiums *after* Chapter 90 and that the proportion of small businesses receiving rate decreases was concentrated in the southern part of the State where there are more small businesses with relatively younger workers living in more urban areas. The Bureau's data lumps all quoted rate decreases into one category ("less than zero percent") so it is impossible to know the actual magnitude of the quoted renewal rate decreases. We also don't know whether the renewal quotes were the result of changing benefits or deductible levels. Regardless, the data begin to shed light on claims by the new law's proponents that lower rates would bring younger and healthier buyers who are uninsured back into the market to such a degree that everyone's premiums would be lower and more affordable. Despite urban centers in Central Maine (i.e., Lewiston and Auburn in Androscoggin) and in Northern Maine (i.e., Bangor in Penobscot), whose median ages are among the youngest relative to other areas, 93% and 96% respectively of businesses in those areas received renewal rate increases. The data collected to date show that the promise of lower premiums has eluded small businesses with older workers and workers in rural areas.

## **2. How Maine's New Law Allows Health Insurance Companies to Close and Open Individual and Small Group Books of Business**

### *Closed individual books of business*

Under the new law, insurance companies in Maine are permitted to close their "book of business" (i.e., a group of individual products) sold prior to July 1, 2012.<sup>47</sup> When an insurance company stops actively selling products, the result is called a closed book or closed block. An insurance company that closes a book of business is required to continue to renew the contracts in the closed book to any existing customer willing to pay the higher premiums. Under the new law, an insurance company can increase its premium rates in the closed book based on new rating factors. An insurance company can also offer for sale new contracts, which then become part of its open book of business. Usually the closed book will experience rate spirals as policyholders who are younger or healthier leave the closed book to buy other coverage that is less expensive (in an open book), leaving behind a pool of risk that becomes progressively sicker. Based on individual rate filings to date under the new law, Anthem Health Plans of Maine, Inc., is the only company that closed its individual book of business.<sup>48</sup>

### *New (open) individual book of business*

A corollary to a closed book of business is an open book of business. After an

insurance company is permitted to close a block of business, new contracts in the open block can offer better benefits and coverage depending on the insurance company. That did not happen in Maine's individual market after the close of Anthem's Direct Pay products (i.e., HealthChoice, Lumenos, HMO, and HealthChoice HDHP). Anthem's new contracts, called HealthChoice Plus, reduced coverage and significantly increased cost-sharing. To date, Anthem is the only company that has filed to offer a new product in the individual market in Maine. The new products were offered for sale effective on July 1, 2012. Table 7 below provides a comparison of Anthem's closed product called HealthChoice to its new product called HealthChoice Plus. As evidenced by the comparison chart prepared by the Maine Bureau of Insurance, the new product (HealthChoice Plus) offers much less coverage, and much higher deductibles and coinsurance when compared to its closed contracts called HealthChoice.

Table 7 provides some of the notable changes in benefits between Anthem's new and closed products. For example:

- **Deductibles:** Under the closed product called HealthChoice, Anthem applies one deductible to all services, whether in-network or out-of-network, to which a deductible applies. The new product called HealthChoice Plus requires that the individual, or family, meet separate deductibles for in-network and out-of-network services up to \$12,000 (individual) or \$24,000 (family) *each*. Out-of-pocket maximums must be met separately as well.
- **Coinsurances:** Under the closed product called HealthChoice, Anthem pays 100% after the deductible is met. In the new product called HealthChoice Plus, the company pays 70% for in-network services<sup>49</sup> or 60% for out-of-network services.
- **Out of pocket maximums:** Under the closed product, the out-of-pocket maximum is equal to the plan deductible. The highest plan deductible is \$15,000. For example, if a HealthChoice policyholder bought or renews the \$5,000 deductible plan, the maximum out-of-pocket cost to the policyholder is \$5,000, after which the company pays in-network and out-of-network claims at 100%. Under the new product, there are two out-of-pocket (OOP) maximums that must be met separately for in-network and out-of-network services. For a single policyholder the lowest OOP cost for in-network services is \$6,000 and the highest OOP cost is \$14,000. The lowest OOP cost for out-of-network services is \$9,500 and the highest OOP cost is \$19,500.
- **Prescription drugs:** Under the closed product (HealthChoice), prescriptions

**Table 7. Benefits and Coverage Comparison Chart: Anthem’s Health Choice v. Health Choice Plus**

Benefits/Coverage	Anthem HealthChoice	Anthem HealthChoice Plus	
		Network	Non-Network
<b>Deductible</b>	Benefits paid after the individual or family deductible is met. For family contracts, no one person contributes more than the individual deductible to the aggregate deductible.	Non-network and network deductibles are satisfied separately.	
<b>Calendar Year Deductibles</b>	\$2,250, \$5,000, \$10,000, \$15,000	Individual: \$2,000—\$12,000 Aggregate Family: \$4,000—\$24,000	Individual: \$2,000—\$12,000 Aggregate Family: \$4,000—\$24,000
<b>Plan Coinsurance</b>	100%	70% (80% for the \$12,000 deductible plan)	60%
<b>Out of Pocket Maximum</b>	\$2,250, \$5,000, \$10,000, \$15,000	Individual: \$6,000—\$14,000 Aggregate Family: \$8,000—\$26,000 Non-network and network out of pocket maximums are satisfied separately. For family contracts, no one person contributes more than the individual out of pocket maximum to the aggregate of pocket maximum.	Individual: \$9,500—\$19,500 Aggregate Family: \$11,500—\$31,500
<b>Mental Health &amp; Substance Abuse</b>	Substance Abuse: Inpatient: 80%; limited to 31 days a year. Outpatient: 50%; limited of 25 days. Mental Health: Inpatient: 80%; limited to 31 days a year. Outpatient: 50%; limited of 25 days. Optional Rider available for parity coverage for listed conditions.	Combined mental health and substance abuse limits Inpatient: limited to 20 days a year, subject to deductible and coinsurance. Prior authorization is required for non-emergency inpatient admissions. Without prior authorization, preadmission penalty of \$500 applies. Outpatient: limited to 25 days a year, subject to deductible and coinsurance Listed conditions are covered at parity with physical illnesses with no day limit	
<b>Maternity</b>	100% after the deductible is met.	Not covered. Prenatal services covered as preventive care.	
<b>Preventive Care</b>	Covered at 100%; no copayment or deductible.	Covered at 100%; no copayment or deductible.	Subject to deductible and coinsurance.
<b>Chiropractic Care</b>	100% after the deductible is met.	15 visits per calendar year covered (combined network and non-network), subject to policy deductible and coinsurance.	
<b>Prescriptions</b>	100% after the deductible is met.	Subject to a separate \$1,000 prescription deductible. Out of pocket maximum does not apply.	
		Retail Pharmacy (up to a 30 day supply): 60% Voluntary Mail Order (up to a 90 day supply): 60%	Retail Pharmacy (up to a 30 day supply): 50% Voluntary Mail Order (up to a 90 day supply): 50%
<b>Inpatient Hospital Services</b>	100% after the deductible is met.	Subject to policy deductible and coinsurance. Prior authorization required for non-emergency inpatient admissions otherwise a penalty of \$500 is imposed.	
<b>Emergency Room Care, Outpatient Surgical Facility, Surgeon, Ambulance and Physician's Care While Hospitalized</b>	100% after the deductible is met.	Subject to deductible and coinsurance.	
<b>Physician's Office Visits</b>	100% after the deductible is met.	Subject to deductible and coinsurance.	
<b>Skilled Nursing Care</b>	100% after the deductible is met; 365 days per calendar year.	100 days per calendar year covered (combined network and non-network), subject to deductible and coinsurance.	
<b>Home Health Care</b>	100% after the deductible is met; 90 visits per calendar year.	90 visits per calendar year covered (combined network and non-network), subject to deductible and coinsurance.	

Source: Maine Bureau of Insurance (2012)

are paid at 100% after the policyholder's deductible is met. Under the new product (HealthChoice Plus), prescriptions are subject to a separate \$1,000 deductible. After the separate \$1,000 deductible is met, the company pays 60% for use of an in-network pharmacy or 50% for use of an out-of-network pharmacy.

- **Maternity:** Under the closed product (HealthChoice), Anthem pays 100% of maternity claims after the deductible is met. There is no maternity coverage under the new product (HealthChoice Plus). It should be noted that the federal ACA requires that maternity coverage must be included as an Essential Health Benefit (EHB) beginning 2014. Excluding maternity coverage artificially lowers premiums and puts women of child-bearing age and younger families who choose to buy HealthChoice Plus at financial risk for an 18 month period until the EHB provision of the federal law takes effect.
- **Mental health:** Under the closed product (HealthChoice), Anthem pays 80% for inpatient mental health services after the deductible but limits coverage to 31 days per year. HealthChoice has the same 80% payment limited to 31 days per year for substance abuse. Under the new HealthChoice Plus product, mental health and substance abuse services are combined and on a

combined basis are limited to 20 days a year, and are subject to the applicable deductible and coinsurance.

Another way to understand the impact of permitting insurance companies to close their books of business is by comparing the number of policyholders by age who are projected to keep their current coverage to those who will change coverage. Table 8 below was filed by Anthem with its 2012 individual rate increase filing. It provides estimates of how many current policyholders likely will remain in its closed book based on the new rates and how many will likely move to the open book (new product).

As can be seen in Anthem's migration modeling in Table 8, the vast majority of policyholders in the closed block are older. This is an important fact when considering the validity of claims by Chapter 90's proponents regarding rate decreases. While 100% of Anthem's individual policyholders under age 40 in the closed book received rate decreases, that represents only 489 policyholders, whereas almost all of the 3,760 policyholders age 55 and older received rate increases.

- According to Anthem's "migration modeling", over three-fourths (77.3% or 6,113) of all policyholders (7,906) will remain in the closed book (Table 8). Only about 1,793, or less than one-fourth (22.7%), of all policyholders likely will move or "migrate" to the open (new) book of business.

- Of the 6,113 policyholders who likely will remain in the closed book, the overwhelming majority (85.4% or 5,222) are age 50 and over (Table 8).
  - Of the 1,793 policyholders who likely will migrate to the open book (new product, discussed above), the vast majority - almost two-thirds (65.7% or 1,160) - are under age 50.
- Proponents’ claim that Chapter 90 actually reduced rates for Anthem’s policyholders is patently false. First, Table 3 (above) provided by Anthem in its 2012 rate increase filing shows that the majority (about 54%) of individuals buying Anthem’s individual products experienced rate increases – not decreases. Second, proponents compare premium rates for two completely different products - HealthChoice to HealthChoice Plus.

**Table 8.** Anthem’s Assumptions, Movement of Individual Contracts by Age Band Under Chapter 90

Closed Book of Business			Open Book of Business		
Contracts Staying In Closed Book by Age Band			Contracts Moving to New Product (Open Book) by Age Band		
Age Band	# Contracts	% of Closed Total	Age Band	# Contracts	% of Open Total
0 - 18	18	0.3%	0 - 18	21	1.2%
19 - 24	15	0.3%	19 - 24	49	2.7%
25 - 29	82	1.3%	25 - 29	219	12.2%
30 - 34	103	1.7%	30 - 34	219	12.2%
35 - 39	271	4.4%	35 - 39	165	9.2%
40 - 44	368	6.0%	40 - 44	209	11.6%
45 - 49	583	9.5%	45 - 49	278	15.5%
50 - 54	1,003	16.4%	50 - 54	252	14.1%
55 - 59	1,315	21.5%	55 - 59	372	20.7%
60 - 64	2,253	36.8%	60 - 64	9	0.5%
65+	102	1.7%	65+	0	0%
<b>Closed Total</b>	<b>6,113</b>	<b>100%</b>	<b>Open Total</b>	<b>1,793</b>	<b>100%</b>
			<b>Combined Total</b>		
			7,906		

Source: Anthem’s 2012 Rate Increase Filing, Exhibit IV.C., Age Factor Development - Migration Modeling; calculations of percentages by Consumers for Affordable Health Care.

As can be seen in Table 7 above, the products are not comparable. Finally, using this false comparison, proponents count the number of “rate cells” in a chart (Appendix C) where the prices *for the new product* are lower.<sup>50</sup> Again, the prices are lower because the products are quite different in terms of coverage and therefore are not comparable. When comparing premiums on an apples-to-apples basis for the same product, HealthChoice, one can readily see that the majority of policyholders saw premium increases.

#### *Closed small group books of business*

Under the new law, an insurance company is permitted to close its small group book of business (i.e., a group of contracts) sold prior to October 1, 2011.<sup>51</sup> As stated above, when an insurance company closes a book or block of business, premium rates in the closed book can spiral as the risk pool becomes smaller and sicker.

#### *New (open) small group book of business*

To date, no small group insurance company in Maine has closed its small group book of business. As a corollary, current small group books of business remain open to new sales and renewals.

### **3. How the Reinsurance Tax Works: Who Pays, How Much, and What It Does**

Reinsurance is a method of financing the costs of higher medical risks. If done correctly, reinsurance can lower rates for all policyholders. It is important to set the attachment point (i.e., the claim level at which the reinsurance pays out) at an appropriate level to avoid windfalls for insurance companies. Also, it is important to use non-insurance premium sources of funding to avoid raising premiums on many in order to lower premiums for a few. For example, reinsurance programs that raise beverage<sup>52</sup> or cigarette taxes are usually offered as public policy because they achieve the goals of improved public health and lower insurance rates. Finally, it is important to set standards that target relief to companies that enroll a larger proportion of higher risks, keep administrative costs low, work to improve quality, and offer more comprehensive coverage.

Under the new law, every privately insured person in Maine<sup>53</sup> will pay up to \$4 per month<sup>54</sup> to cover the claim costs of higher risk individuals ceded by an insurance company from its individual book of business to the reinsurance corporation for payment.<sup>55</sup> The tax can be increased without further legislative action up to \$6 per month<sup>56</sup> if insufficient revenues are raised. The tax will relieve insurance companies of 90% of their claim costs over \$7,500 (up to \$32,500) and 100% of claim

costs over \$32,500 for certain individual policyholders with higher claim costs.<sup>57</sup> That means that insured policyholders and certificate holders in the individual, small group, and large group markets in Maine will pay \$22,500 of claims costs up to the first \$32,500, and then all of the claim costs over \$32,500 for every person ceded to the reinsurance corporation. Without the reinsurance tax, an insurance company would have to use more of its own funds in premiums collected to cover the costs, or increase premiums further.<sup>58</sup>

The reinsurance tax is estimated to raise about \$22 million<sup>59</sup> in the first twelve months of its operation, scheduled to begin July 1, 2012.<sup>60</sup> According to the December 2011 report prepared for the Maine Bureau of Insurance by Gorman Actuarial, LLC, (hereinafter, "Gorman Actuarial Report") it is estimated that reinsurance pool claims costs could range from \$22 million to \$65 million.<sup>61</sup> The report states that the \$4 per member per month tax will result in premium increases in the small group and large group markets of 1% - 2%.<sup>62</sup> The tax also will result in premium increases in the individual market amounting to about \$1.49 million.<sup>63</sup> If the impact of the \$1.49 million on individual premiums is excluded, the overall tax results in a \$21 million subsidy to insurance companies in the individual market. This could translate into a 12% to 15% reduction in premium in the individual market.<sup>64</sup>

But that potential reduction depends on how much of the new reinsurance tax is actually applied toward paying claims of high risk individuals and how much is applied as profits and administrative costs by insurance companies. It also depends on how insurance companies assess and cede risks from their closed and open books of business for reinsurance payments. At the time that the Gorman Actuarial Report was prepared, Chapter 90 required insurance companies to cede claims based on the completion of a health statement developed by the new reinsurance corporation board of directors.<sup>65</sup> The Gorman Actuarial Report based its estimates on the use of a health statement rather than other means.<sup>66</sup> But that method of ceding risks was changed by Chapter 452 about forty days<sup>67</sup> after Chapter 90 was signed into law. Public Law 2011, Chapter 452, An Act to Provide Further Improvements to Maine's Health Insurance Law, expanded the ability of insurance companies to identify and cede more high risk claims for payment by the reinsurance tax. The change amended Maine Revised Statutes section 3959, subsection 1, which had restricted designation of claims to those identified by a health statement, to those identified by "*a person's claim history or risk scores or any other reasonable means.*"

The Gorman Actuarial Report states:

*The modeling of the reinsurance program is based on a series of assumptions. Two assumptions in*



particular can significantly influence the outcome of the funding requirement of the reinsurance program. Currently, we have modeled that the insurer is allowed to cede members using a health statement. **However, if the insurer is allowed to use other means (such as claims experience) to cede members, the funding requirement may increase significantly.** That is, insurers will be able to predict high cost claimants more accurately than using a health statement alone. Another assumption that will impact the funding requirement is the insurer reinsurance premium level. If the premiums are set too low, there will be more of an incentive for insurers to cede individuals into the reinsurance pool, which may also increase the funding requirement.

*Me. Bureau of Ins., The Impact of PL 90 on Maine's Health Insurance Markets, p. 11 (Dec. 2011) (emphasis added).*

The new reinsurance corporation is not subject to Maine's Freedom of Access or Information laws and its meetings are not open to the public.<sup>68</sup> The new law designates a majority of the board seats, six of the board's eleven members, to the insurance industry or its representatives -- five seats for insurance companies and one seat for an insurance broker.<sup>69</sup> No seats were designated for insurance consumer advocates.<sup>70</sup>

### *Impact of Chapter 90's Reinsurance Tax on Rates, Markets, and Profits to Date*

Table 9 shows the source and dollar impact of the new \$4 per person per month tax by market segment. The tax applies to 532,404 Mainers who obtain their health insurance coverage in the individual, small group, large group, and self-insured markets in Maine. Since the tax is monthly, it is calculated by taking the total number of privately insured people in Maine, removing those to whom the statute does not apply,<sup>71</sup> producing a "Net Membership," and then calculating a "Net Member Months" figure, which is adjusted slightly lower. Each net member month is then multiplied by the \$4 tax to produce the total amount raised by the new tax.<sup>72</sup>

As shown in Table 9, the reinsurance tax will raise over \$22 million. If that amount, in combination with the portion of premiums paid by individual policyholders whose claims are designated for reinsurance is not sufficient, the new law allows the reinsurance corporation to increase the tax by an additional \$2 per person per month. Doing so would increase the tax levied from over \$22 million to over \$33.5 million.<sup>73</sup> It would increase the impact on premiums in the small and large group markets by 1.5% - 3%, rather than the 1% - 2% estimated as the impact of the lower tax amount.<sup>74</sup>

Table 10 shows how the reinsurance tax may be allocated to Maine's individual

**Table 9.** Dollar Impact of Chapter 90's \$4 PMPM Reinsurance Tax by Market Segment

Market	Total Membership	Adjustment for State/Federal Members	Net Membership	Net Member Months	Dollar Amount Raised by Tax (2012)
Individual	35,486		35,486	372,603	\$1,490,412
Small Group	97,712		97,712	1,025,976	\$4,103,904
Large Group	207,271	37,725	169,546	1,780,233	\$7,120,932
Self-insured	261,060	31,400	229,660	2,411,430	\$9,645,720
<b>Total</b>	<b>601,529</b>	<b>69,125</b>	<b>532,404</b>	<b>5,590,242</b>	<b>\$22,360,968</b>

Source: Me. Bureau of Ins., The Impact of PL 90 on Maine's Health Insurance Markets, Gorman Actuarial, LLC, December 2011, p. 10, cited in Anthem's 2012 Individual Rate Increase Filing as Exhibit III: Derivation of Reinsurance Recovery Assumption. Calculation of "Dollar Amount Raised by Tax" by Consumers for Affordable Health Care

insurance companies. The column labeled "Reinsurance Recovery" is the amount that each individual insurance company may receive to pay for the claim costs of high risk individuals they insure. The Table calculates the percentage of total 2010 claims paid by each insurance company

with claims in that year. It next applies that percentage to the total amount of the tax raised after taking out \$500,000 for administrative costs. Anthem has already calculated into its 2012 individual rate increase the nearly \$11 million in reinsurance payments allocated

**Table 10.** How Chapter 90's Reinsurance Tax May Be Allocated to Maine's Individual Insurance Companies

Individual Insurers	Enrollment	2010 Claims	% Claims	Reinsurance Recovery
Aetna	45	\$380,630	0.4%	\$76,872
Anthem	17,503	\$54,400,212	50.3%	\$10,986,686
Connecticut General	6	\$46,958	0.0%	\$9,484
Harvard	4,963	\$31,432,220	29.0%	\$6,348,062
Mega	12,969	\$18,616,519	17.2%	\$3,759,799
Nationwide Life Ins Co			0.0%	0
United Healthcare			0.0%	0
All Other Insurers		\$3,367,320	3.1%	\$680,065
<b>Total</b>	<b>35,486</b>	<b>\$108,243,858</b>	<b>100.0%</b>	<b>\$21,860,968</b>

Source: Exhibit III: Derivation of Reinsurance Recovery Assumption, Anthem 2012 Individual Rate Increase Filing citing 2010 Annual 945 Report: [http://www.maine.gov/pfr/insurance/consumer/financial\\_results\\_health\\_insurers.htm](http://www.maine.gov/pfr/insurance/consumer/financial_results_health_insurers.htm).

to it. The Maine Bureau of Insurance reviewed Anthem's 2012 rate increase and concluded that its rate increase was not excessive, inadequate, or unfairly discriminatory<sup>75</sup> after the \$11 million in reinsurance taxes were calculated into the proposed rates. However, it is not clear whether the reinsurance corporation or the Maine Bureau of Insurance will permit other insurance companies, e.g., MegaLife, to access the reinsurance payments allocated in Table 10 below as their relevant high risk claims and current medical loss ratios may not warrant it.

As can be seen from Table 10, the reinsurance corporation created by Chapter 90 allocated over half of the reinsurance tax to Anthem and almost thirty percent to Harvard Pilgrim. On a per enrollee basis Harvard paid \$6,333<sup>76</sup> and Anthem paid \$3,108<sup>77</sup> in medical claims in 2010. Again, it is important to note that although the reinsurance corporation produced a table that allocates potential reinsurance payments to insurance companies based on their 2010 enrollment and claims, it is not certain that the reinsurance corporation or the Maine Bureau of Insurance will permit each company to access the reinsurance payment if their relevant high risk claims and medical loss ratios do not warrant such payments. For example, MegaLife paid \$1,435 on a per enrollee basis for medical claims in 2010. Further analysis of MegaLife's financial capacity

shows that MegaLife most likely does not need support from the reinsurance tax. MegaLife and Health Insurance Company's 2012 Rate Increase Filing<sup>78</sup> shows that the company earned \$31,726,000 in premium and paid out \$23,570,000 in claims during its last (2011) rating period. The difference is staggering – nearly \$8 million or over 25% – for profits and administration. That means fewer than three out of every four dollars collected by MegaLife went to the actual medical care of their customers. This fact raises an important policy question - would the reinsurance corporation created by Chapter 90 or the Maine Bureau of Insurance give MegaLife almost \$4 million when it paid such a small proportion of its revenue in medical claims compared to other individual insurance companies like Anthem and Harvard Pilgrim?

#### ***4. How Maine's New Law Changes The Way That Rate Increases Are Reviewed***

Maine's Chapter 90 changed the state's rate review criteria in the individual market. Prior to Chapter 90, any proposed rate filing – regardless of whether it was an increase or decrease - was subject to review on a prior approval basis.<sup>79</sup> "Prior approval" means an insurance company cannot implement its proposed rates until the Bureau approves them. Now, as a result of Chapter 90, an individual insurance company can implement its proposed rates without prior approval so

long as the company's proposed increase is below 10% and its medical loss ratio is at or above 80% (i.e., it pays out at least 80 cents of each premium dollar collected after taxes and fees on actual medical claims and quality improvement).<sup>80</sup>

"Prior approval" is one of the most popular provisions in the federal ACA.<sup>81</sup> Despite the intent of the federal ACA to *strengthen* States' rate review standards by setting a ceiling of 10% for proposed rate increases<sup>82</sup> and by allowing States to set *lower* thresholds for review, and despite the popular support for enhanced rate review, Maine lawmakers made "prior approval" *optional* for rate increases under 10%. The new law favors insurance companies and puts individual policyholders at greater risk of paying higher premiums. Comparing Anthem's 2011 rate increase filing with its 2012 rate filing provides a useful example to demonstrate this point.

#### *Impact of Maine's New Rate Review Process in the Individual Market to Date*

In 2011, Anthem Health Plans of Maine, Inc. filed an average 9.7% rate increase for approval by the Maine Bureau of Insurance.<sup>83</sup> The increase, if approved, would have required policyholders to pay an additional \$6 million in premiums, or about \$68 million in total premiums.<sup>84</sup> Anthem sought a profit margin of 3%, or about \$2 million of the total rate request. The proposed increase was reviewed on a

"prior approval" basis. Prior to Chapter 90, any rate change in the individual market had to be approved by the Superintendent before the insurance company could implement it. After four public hearings in different geographic locations, which allowed public comment and a 2-day proceeding before the Superintendent, who was accompanied by an expert hearing panel, the Superintendent reduced Anthem's request from an average of 9.7% to 5.2%. That reduction saved Anthem individual policyholders almost \$3 million. As part of that reduction, Anthem's request for \$2 million in profits alone was reduced to about \$650,000. In other words, each of the 11,000 policyholders saved about \$255.<sup>85</sup> In fact, in 2009 and 2010 under the prior approval standard, the Superintendent reduced Anthem's request for 3% in profits to 0% (2009) and 0.5% (2010) saving policyholders millions in premiums.

In 2011, the Superintendent issued a 44 page decision in the case detailing her reasoning regarding each of the major components of the rate filing. Anthem appealed the Superintendent's decision and argued that the company was guaranteed an annual, built-in profit margin of 3%. In a unanimous decision, the Maine Supreme Judicial Court rejected Anthem's arguments, pointed to the need to balance the harm to policyholders of higher rates against the interest of the company in higher profits, and upheld the

Superintendent's determination.<sup>86</sup> The Maine Supreme Judicial Court noted that nearly 40 Anthem policyholders testified regarding the hardship the proposed rate increase would cause for them and their families.<sup>87</sup>

In 2012, after Chapter 90's new rate review standard went into effect, Anthem filed its individual rates on a "file and use" basis. Again, "file and use" means that the company does not require approval from the Bureau of Insurance to implement its rates. After factoring in almost \$11 million in anticipated reinsurance tax payments, and based on closing all products in its individual book of business, Anthem requested a premium increase resulting in total premiums of \$59 million, or an average 1.7% rate increase.<sup>88</sup> The portion of the reinsurance tax paid by Anthem's individual policyholders, which excludes Anthem's small group, large group, and TPA customers, was almost \$750,000,<sup>89</sup> or \$78 per policyholder. As in 2009, 2010, and 2011, Anthem again sought a 3% profit margin, but unlike prior years under the prior approval standard, it was granted in full. The profit margin alone accounts for about \$1.8 million in added costs to Anthem individual policyholders, or about \$185 per person.<sup>90</sup> While the Bureau staff thoroughly reviewed Anthem's rate filing, and while Anthem policyholders complained that they still could not afford the requested rate hike, the result under the new "file and use" standard was

completely different when compared to prior years. Anthem's full rate increase including \$1.8 million in profits was determined "not excessive" in a one page determination posted on the Bureau's Web site.

To date, all insurance companies in the individual market, which met the basic requirements of the new law, filed their rates on a "file and use" basis under the new provision of Chapter 90. Two companies, MegaLife and Harvard-Pilgrim, did not meet the requirements set in federal law by the ACA, which were incorporated into Maine's Chapter 90. Harvard-Pilgrim sought a rate increase for its DirigoChoice product above 10%.<sup>91</sup> MegaLife did not meet the requirement that the company pay out at least 80% of its earned premiums in incurred claims.<sup>92</sup> While these rate filings failed to qualify for the optional "file and use" review, no public hearing was held in the Harvard-Pilgrim rate filing and no public hearing has been ordered in the MegaLife rate filing as of the date of this report (September 2012). In the past, hearings were held at the request of the Attorney General or ordered by the Superintendent when the rate increase involved Maine's largest individual insurer (e.g., Anthem Health Plans of Maine, Inc. and formerly Maine Blue Cross and Blue Shield).



## Conclusions

The early evidence based on form and rate filings refute the fundamental assertions made by Chapter 90 proponents. For each of the four key provisions where there is evidence upon which an analysis can be made, the evidence demonstrates that:

### ***Chapter 90 increased premium rates for most***

**Impact:** Maine's largest individual health insurance company (Anthem) increased premium rates for the majority of its policyholders, in particular, for older policyholders<sup>93</sup>. No subsidies were made available to individuals with household incomes at or below 400% of the federal poverty level as they will be in 2014 under the Affordable Care Act. For Maine's small businesses, premium renewal rates increased for the vast majority of small businesses in *all geographic areas*, and premium rates increased most significantly for small businesses in Northern and Eastern Maine (Aroostook, Penobscot, Piscataquis, Knox, Hancock, Lincoln, Waldo, and Washington counties).<sup>94</sup> It is too early to tell whether more young uninsured people are buying insurance, but it's unlikely. Among the few rates that actually decreased, they did not decrease a significant amount, suggesting that the current prices are likely still unaffordable without ACA subsidies in 2014.

### ***New products offered after Chapter 90 reduced coverage and increased out-of-pocket costs***

**Impact:** To date one company (Anthem) offered a new health insurance product in Maine's individual market. The new product (HealthChoice Plus) drastically reduced benefits, increased deductibles, and increased cost-sharing when compared to the company's previous products in its closed book of business. For example, the new product now requires separate deductibles for in-network and out-of-network services after which the plan pays only 70% for in-network and 60% for out-of-network services, eliminates maternity benefits, and adds a separate deductible of \$1,000 for prescription drugs after which the plan pays only 60% for in-network pharmacies and 50% for non-network pharmacies. This result is in stark contrast to the assurance that free market competition would produce better insurance choices at much lower costs.

### ***Chapter 90's reinsurance program taxed all Maine insured, which, in part, subsidized insurer profits***

**Impact:** Maine's individual, small group, and large group policyholders will pay a tax of \$22 million (which may go up to \$33.5 million)<sup>95</sup> to reimburse insurance companies for claims for people that the insurance

company identifies based on “a person’s claim history or risk scores or any other reasonable means.”<sup>96</sup> The portion of the tax increase allocated to insured small and large groups will increase their premiums by 1% - 2% at the \$4 per member per month (PMPM) level, and could go higher.<sup>97</sup> Additionally, everyone applying for a new individual insurance policy will have to complete a health status questionnaire.<sup>98</sup>

***Chapter 90 weakened rate review standards in the individual market, which resulted in higher profits for Maine’s largest individual insurance company.***

**Impact:** Changes to Maine’s “prior approval” standard resulted in no public hearings to date and a determination that the proposed rate increase filed this year by Maine’s largest individual insurance company (Anthem) was not excessive, therefore, there was no reduction in the proposed increases. In applying Chapter 90’s new standard, the Bureau determined that Anthem’s request for an increase after the company received almost \$11 million in reinsurance tax payment was “not excessive”<sup>99</sup> and neither was the company’s request for 3% or \$1.8 million in profits. If this weakened standard had been applied to Anthem’s 2011 rate increase request and the previous increase had gone through as filed, over \$2 million dollars more would have been paid by Maine consumers to the profit line alone.<sup>100</sup>



## Endnotes

1. P.L. 2011, ch. 90 ([http://www.mainelegislature.org/legis/bills/bills\\_125th/chapters/PUBLIC90.asp](http://www.mainelegislature.org/legis/bills/bills_125th/chapters/PUBLIC90.asp)).
2. "We have the most over-regulated health insurance market in the country, creating the perfect conditions for monopoly control." Rep. Jon McKane, *Maine Voices: There's a War Being Waged on Health Care Reform in Maine*, Portland Press Herald, (May 11, 2011), [http://www.pressherald.com/opinion/theres-a-war-being-waged-on-health-care-reform-in-maine\\_2011-05-11.html](http://www.pressherald.com/opinion/theres-a-war-being-waged-on-health-care-reform-in-maine_2011-05-11.html).
3. Quoting Insurance and Financial Services Committee member, Representative McKane: "We're the most regulated insurance market in the country, and our premiums show it." Glenn Adams, *Maine House Gives Health Care Final OK*, Associated Press, (May 13, 2011), <http://www.seacoastonline.com/articles/20110513-NEWS-105130390>.
4. Insurance and Financial Services Committee Chairman, Senator Rodney Whittemore: "L.D. 1333 will not fix the high cost of health [sic] care itself but will lower the cost of health insurance for all Maine citizens.... It will provide affordable insurance for the 133,000 Maine people who currently have no insurance due to affordability. . . . It will lower the cost of insurance for all Maine people through increased competition and acceleration of the number of people going into the insurance pool." Legis. Rec. S-650 (1st Reg. Sess. 2011).
5. LD 1333: Health Insurance Reform, Frequently Asked Questions, Prepared by the Speaker's Office: "Q: Will this bill increase premiums for older persons? A: No. This law conforms the age-based pricing requirements to the federal Affordable Care Act, which allows insurance carriers to offer less expensive products to younger people.... Offering more competitively-priced premiums to younger, healthier Mainers will spread risk to a larger group of people, resulting in lower premiums for everyone."
6. "Rep. Richardson (R-Warren) is House chair of the Insurance and Financial Services Committee, which worked the bill. He notes that the legislation allows carriers to offer a more diverse array of insurance products to fit a variety of personal and business budgets. Overall, he said, increased competition and more affordability in coverage options will enable young and healthy people to buy insurance policies, thereby expanding the pool and lowering costs across the board." Maine House Republicans Press Release, Health insurance reform clears initial hurdle in Maine House, (May 5, 2011).
7. "Additional regulations on insurance companies, stricter consumer protections and the Dirigo program only seemed to exacerbate the problem. This was particularly frustrating as we watched simple market-based solutions in the vast majority of states working to keep premiums much lower." Rep. Jonathan McKane, LD 1333 - Maine returns to health insurance normalcy, (June 9, 2011), [www.jonmackane.com](http://www.jonmackane.com).
8. See *supra* n. 4.
9. *Id.*
10. 24-A M.R.S. §2736-C(2)(D); 24-A M.R.S. §2808-B(2)(D).
11. Anthem's 2012 individual rate filing showed that 53.6% of total Anthem individual subscribers received rate increases, and 91% ages 55-59 and 100% age 60 and older saw increases as high as 18%. Conversely, 100% under 40 received a decrease of 17.5% or less. E-mail from Mary Hooper, Me. Bureau of Ins., to Joseph Ditré, Consumers for Affordable Health Care, Inforce renewals [sic] (May 22, 2012 9:35a.m. EDT) (providing data regarding subscriber distribution by age band) .
12. 532 Maine small businesses received decreases compared to 4,706 businesses receiving increases. Prior to Ch. 90, decreases showed no marked variation by geography. Now almost 77% of the decreases are concentrated in Cumberland and York counties and that only accounts for a little over 15% of the businesses in those counties. Me. Bureau of Ins., Small Group Health Insurance Renewals by Geographic Area: Executive Summary, <http://www.maine.gov/pfr/insurance/legislative/documents/Attachment%209.pdf> (December 2011); E-mail from Kenneth Gardiner, Me. Bureau of Ins., to Joseph Ditré, Consumers for Affordable Health Care, Small Group Counts PL90 (Mar. 8, 2012, 8:33 a.m. EDT) (providing data regarding rate renewal quotes).
13. 24-A M.R.S. §2736-C(2)(I); 24-A M.R.S. §2808-B(2)(H).
14. 24-A M.R.S. §2736-C(2)(C), (C-1), (D); 24-A M.R.S. §2808-B(2)(C), (C-1), (D).
15. 24-A M.R.S. §3957.
16. 24-A M.R.S. §3953.
17. Me. Bureau of Ins., The Impact of PL90 on Maine's Health Insurance Markets, p. 9 (Dec. 2011) (<http://www.maine.gov/pfr/insurance/PL90/GormanActuarialReport.pdf>).
18. 24-A M.R.S. §3959.
19. Me. Bureau of Ins., The Impact of PL90 on Maine's Health Insurance Markets, p. 9 (Dec. 2011).
20. 24-A M.R.S. §3959.
21. 24-A M.R.S. §2736-C(2-B).
22. Me. Bureau of Ins., Review of Anthem 2012 Individual Rate Filing, (last updated June 13, 2012) ([http://www.maine.gov/pfr/insurance/filings/Anthem%202012%20Rate%20Notice/Anthem\\_2012\\_Rate\\_Filing\\_Summary.html](http://www.maine.gov/pfr/insurance/filings/Anthem%202012%20Rate%20Notice/Anthem_2012_Rate_Filing_Summary.html)).
23. *Id.*
24. *Anthem Health Plans of Maine v. Superintendent of Ins., et. al.*, 2012 ME 21, \_\_A.3d\_\_.
25. Former 24-A M.R.S. §2736-C(2).
26. Prior to Chapter 90, Maine's individual rating factors for age and geography were "composite rating bands," meaning they could not be applied separately, but rather they had to be applied on a combined basis, so that the highest to lowest rate variation for age and geography

could not exceed 1.5-to-1.

27. 24-A M.R.S. §2736-C(2)(C).

28. 24-A M.R.S. §2736-C(2)(D) & (I).

29. 24-A M.R.S. §2736-C(2)(C-1).

30. 24-A M.R.S. §2736-C(2)(D)(8), as amended by Public Law 2011, Ch. 364, which replaced "smoking status" with "tobacco use."

31. "Rural areas" are all areas that aren't classified as "urban." The Census Bureau views areas with populations of at least 2,500 as urban.

32. For the year ending December 31, 2011, Anthem had the largest individual book of business of all individual insurance companies in Maine with 16,220 covered lives. Anthem Health Plans of Maine, 2011 Annual Data Report, Individual Demographic Information, filed pursuant to 02-031 C.M.R. ch. 940.

33. Anthem Health Plans of Maine, Inc., 2012 Individual Rate Filing, SERFF Tracking No. AWLP-128240760, Exhibit IV.C., Age Factor Development - Migration Modeling

34. For the year ending December 31, 2011, Mega Life and Health Insurance Company had the second largest individual book of business in Maine with 14,513 covered lives. Mega Life and Health Ins. Co., 2011 Annual Data Report, Individual Demographic Information, filed pursuant to 02-031 C.M.R. ch. 940.

35. For the year ending December 31, 2011, Harvard Pilgrim Health Plans dba HPHC Insurance Company offered DirigoChoice individual policies and had the third largest individual book of business in Maine with 4,922 covered lives. HPHC Ins. Co., 2011 Annual Data Report, Individual Demographic Information, filed pursuant to 02-031 C.M.R. ch. 940.

36. 24-A M.R.S. §2808-B(2)(C).

37. 24-A M.R.S. §2808-B(2)(C-1).

38. 24-A M.R.S. §2808-B(2)(D)(9), as amended by Public Law 2011, Ch. 364, which replaced "smoking status" with "tobacco use."

39. 24-A M.R.S. §2808-B(2)(C).

40. *Id.*

41. 24-A M.R.S. §2808-B(2)(C), as amended by Public Law 2011, Ch. 364, which amended this paragraph by inserting "to the extent permitted by the federal Affordable Care Act." The federal ACA does not allow occupation, industry, or group size to be used as a rating factor.

42. 24-A M.R.S. §2808-B(2)(C).

43. 24-A M.R.S. §2808-B(2)(C) gives the Superintendent authority to adopt rules to set methodologies regarding rate discounts for participation in wellness programs as well as rating for occupation and industry and group size.

44. P.L. 2011, ch. 638.

45. "There are cases out there that I'm seeing significant increases as high as 70 percent,' [Scott] Boucher [part owner of Barresi Benefits Group of Bangor] said. One Presque Isle company that had recently downsized was quoted a 90 percent increase. Boucher

said the health insurance reform legislation separates geography and age as two different factors when assessing rates, contributing to the increases for some companies." Cyndi Wood, Insurance Reform Impact: *Good, Bad and Still Unclear*, Ellsworth American, (Aug. 18, 2011).

46. Before going to print, data for small group renewals for the second quarter of 2012 for Anthem, Aetna, and Harvard-Pilgrim were made available by the Maine Bureau of Insurance. The data did not include accompanying prior year data for comparison purposes. See Appendix E. The 2 Q 12 data show that the overwhelming majority (89%) of Maine's small businesses have received rate increases in their renewal quotes under Chapter 90.

47. 24-A M.R.S. §2736-C(2)(I).

48. Compare Anthem, MegaLife, and Harvard Pilgrim rate filings.

49. Anthem pays 80% for in-network services if the \$12,000 deductible plan is purchased, otherwise it pays 70%.

50. M.D. Harmon, *Health Care System Needs Systemic Overhaul, Not Just Tweaks*, Kennebec Journal, (July 14, 2012), [http://www.kjonline.com/opinion/columnists/health-care-system-needs-systemic-overhaul-not-just-tweaks\\_2012-07-13.html?searchterm=harmon](http://www.kjonline.com/opinion/columnists/health-care-system-needs-systemic-overhaul-not-just-tweaks_2012-07-13.html?searchterm=harmon).

51. 24-A M.R.S. §2808-B(2)(H).

52. See, e.g., P.L.2007, ch. 629, repealed by a referendum vote on November 5, 2008.

53. 24-A M.R.S. 3952(7) defines "medical insurance" to include "other health care plan or arrangement that pays for or furnishes medical or health care services whether by insurance or otherwise." L.D. 1587 (125th Legis. 2011), enacted as P.L. 2011, ch. 452 amended the provision that exempted certain state employees from payment of the reinsurance tax to ensure that State legislators are subject to the tax. While Maine taxpayers pay 100% of the cost of legislator-only coverage, State legislators will pay the \$4 PMPM for the reinsurance tax.

54. 24-A M.R.S. §3957(2).

55. 24-A M.R.S. §3959, as enacted by P.L. 2011, ch. 90, was amended by P.L. 2011, ch. 621 to give insurance companies greater ability to identify risks to be ceded to the reinsurance fund.

56. 24-A M.R.S. §3957(5).

57. 24-A M.R.S. §3958(1)(A).

58. Exhibit I, Anthem 2012 Direct Pay (Individual Products) rate increase filing (SERFF Tracking No. AWLP-128240760) states that without a reinsurance payment of almost \$11 million its rate increase for its combined individual products would have been 21.6%.

59. Me. Bureau of Ins., *The Impact of PL90 on Maine's Health Insurance Markets*, p. 10 (Dec. 2011) (<http://www.maine.gov/pfr/insurance/PL90/GormanActuarialReport.pdf>).

60. *Id.* at 8; see also, 24-A M.R.S. §3959(4).

61. *Id.* at 11.

62. *Id.* at 5-6: "We have calculated that the \$4 per

member per month (PMPM) market assessment results in approximately a \$21 million subsidy to the Individual Market and a 1% to 2% increase in market premiums outside the Individual Market.”

63. [372,603 net member months x \$4 PMPM = \$1.49 million].

64. Me. Bureau of Ins., *The Impact of PL90 on Maine's Health Insurance Markets*, p. 12 (Dec. 2011) (<http://www.maine.gov/pfr/insurance/PL90/GormanActuarialReport.pdf>).

65. 24-A M.R.S. §3959(1).

66. Me. Bureau of Ins., *The Impact of PL90 on Maine's Health Insurance Markets*, p. 11 (Dec. 2011) (<http://www.maine.gov/pfr/insurance/PL90/GormanActuarialReport.pdf>).

67. P.L. 2011, ch. 364 was enacted on June 8, 2011 and signed into law on June 16, 2011 by Governor LePage.

68. 24-A M.R.S. §3953(1) established the Maine Guaranteed Access Reinsurance Association as a non-profit legal entity. In testimony before the Insurance and Financial Services Committee on January 17, 2012, representatives of the Maine Bureau of Insurance informed the committee that the Attorney General had determined that the Association was not subject to Maine's Freedom of Access law.

69. 24-A M.R.S. §3953(2)(A)(1) & (2)

70. *Id.*

71. *Supra* n. 53

72. Methodology used by the Maine Guaranteed Access Reinsurance Association

73. Calculated as follows: [5,590,242 x \$6 = \$35,541,452].

74. Applies the percent increase to the premium impact of the lower tax amount.

75. “Based on our review, we concluded that the proposed rates are not excessive, inadequate, or unfairly discriminatory.” Me. Bureau of Ins., *Review of Anthem 2012 Individual Rate Filing*, (last updated June 13, 2012) ([http://www.maine.gov/pfr/insurance/filings/Anthem%202012%20Rate%20Notice/Anthem\\_2012\\_Rate\\_Filing\\_Summary.html](http://www.maine.gov/pfr/insurance/filings/Anthem%202012%20Rate%20Notice/Anthem_2012_Rate_Filing_Summary.html)).

76. [\$31,432,220/4923 = \$6,333.31].

77. [\$54,400,212/17,503 = \$3,108.05].

78. Mega Life and Health Insurance Company, Maine Individual Filing 2012, SERFF Tracking Number MGCA-128251458.

79. 24-A M.R.S. §2736(1).

80. 24-A M.R.S. §2736-C(2-B)(B).

81. Sixty-six percent (66%) of respondents said they had a very favorable or somewhat favorable view of the Rate Review provision of the Affordable Care Act; 78% of Democrats, 66% of Independents, and 51% of Republicans responded favorably to the provision. Kaiser Family Foundation, *Kaiser Health Tracking Poll- November 2011*, p. 5, <http://www.kff.org/kaiserpolls/8259.cfm>.

82. 45 C.F.R. § 154.200

83. Anthem initially requested an average increase of 9.6%, but revised its request on February 7, 2011 to 9.7%. In re: Anthem Blue Cross and Blue Shield 2011 Individual Rate Filing for HealthChoice, HealthChoice Standards and Basic, HealthChoice HDHP, HMO Standard and Basic, and Lumenos Consumer Directed Health Plan Products, Docket No. INS-11-1000, Decision and Order, May 12, 2011, p. 1, [http://www.maine.gov/pfr/insurance/hearing\\_decisions/11-1000.htm](http://www.maine.gov/pfr/insurance/hearing_decisions/11-1000.htm).

84. In re: Anthem Blue Cross and Blue Shield 2011 Individual Rate Filing for HealthChoice, HealthChoice Standards and Basic, HealthChoice HDHP, HMO Standard and Basic, and Lumenos Consumer Directed Health Plan Products, Docket No. INS-11-1000, Exhibit I, Derivation of Required Premiums Adjustments, Section F, Required Increase.

85. [\$2,794,000/11,000 = \$255].

86. “Faced with the testimony from nearly forty existing Anthem individual health plan subscribers who described the additional financial hardship a 9.2% average rate increase would impose upon them, the Superintendent did not err in concluding that the 3% built-in risk and profit margin Anthem initially proposed would have contributed to what she considered an “excessive” rate increase.” *Anthem Health Plans of Maine v. Superintendent of Ins., et al.*, 2012 ME 21, ¶22, \_\_\_ A.3d\_\_.

87. “Against the weight of Anthem’s individual product line profitability and Anthem’s company-wide success, the Superintendent cited the sworn testimony of nearly forty Anthem policyholders who indicated that Anthem’s average proposed rate increase would intensify their already difficult individual financial situations and threaten “their corresponding ability (or inability) to stay insured.” *Id.* at ¶8.

88. Anthem Health Plans of Maine, Inc., 2012 Individual Rate Filing, SERFF Tracking No. AWLP-128240760.

89. [\$4 PMPM x 187,249 member months = \$748,996]; see Exhibit I, Rate Development, SERFF Tracking No. AWLP-128240760

90. [\$1,774,000 in profit/9,581 policyholders = \$185.16]; Anthem used its in-force contracts for 2011 in their rate filing to determine member months, however, its migration modeling projects only 7,906 policyholders for the rating period. If the lower number of policyholders were used, the cost of profits to each policyholder during the rating period would be \$224.

91. HPHC Dirigo Choice PPO-PPO-Individual-11593ME005, filed with CMS at [http://companyprofiles.healthcare.gov/states/ME/companies/11593/products/11593ME005/rate\\_reviews/456?naic\\_num=&search\\_method=&search\\_term=HPHC+Insurance+Company+Inc.&tgt\\_tab=rrj](http://companyprofiles.healthcare.gov/states/ME/companies/11593/products/11593ME005/rate_reviews/456?naic_num=&search_method=&search_term=HPHC+Insurance+Company+Inc.&tgt_tab=rrj).

92. Mega Life and Health Insurance Company, Maine Individual Filing 2012, SERFF Tracking No. MGCA-128251458.

93. Anthem’s 2012 individual rate filing showed that

53.6% of total Anthem individual subscribers received rate increases, and 91% ages 55-59 and 100% age 60+ saw increases. Conversely, 100% under 39 received a decrease of 17.5% or less. E-mail from Mary Hooper, Me. Bureau of Ins., to Joseph Ditré, Consumers for Affordable Health Care, Inforce renewals [sic] (May 22, 2012 9:35a.m. EDT) (providing data regarding subscriber distribution by age band).

<sup>94.</sup> 532 Maine small businesses received decreases compared to 4,706 businesses receiving increases. Prior to Ch. 90, decreases showed no marked variation by geography. Now almost 77% of the decreases are concentrated in Cumberland and York counties and that only accounts for a little over 15% of the businesses on those counties. Me. Bureau of Ins., Small Group Health Insurance Renewals by Geographic Area: Executive Summary, <http://www.maine.gov/pfr/insurance/legislative/documents/Attachment%209.pdf> (December 2011); E-mail from Kenneth Gardiner, Me. Bureau of Ins., to Joseph Ditré, Consumers for Affordable Health Care, Small Group Counts PL90 (Mar. 8, 2012, 8:33 a.m. EDT) (providing data regarding rate renewal quotes).

<sup>95.</sup> Me. Bureau of Ins., The Impact of PL90 on Maine's Health Insurance Markets, p. 9 (Dec. 2011) (<http://www.maine.gov/pfr/insurance/PL90/GormanActuarialReport.pdf>).

<sup>96.</sup> 24-A M.R.S. §3959.

<sup>97.</sup> Me. Bureau of Ins., The Impact of PL90 on Maine's Health Insurance Markets, p. 9 (Dec. 2011).

<sup>98.</sup> 24-A M.R.S. §3959.

<sup>99.</sup> *Supra* n. 75

<sup>100.</sup> *Anthem Health Plans of Maine v. Superintendent of Ins., et. al.*, 2012 ME 21, \_\_A.3d\_\_.

## Appendix A

### How We Got Here: Background on Enactment of Chapter 90

**GOP pushes surprise insurance overhaul through committee,**  
*Lewiston Sun Journal, April 30,*

**Legislature to vote on health care overhaul, Committee Republicans support the plan despite criticism that the implications are still unclear,**  
*Portland Press Herald, May 3, 2011*

**Lawmakers rework insurance bill as rancor ensues, House vote looms,**  
*Lewiston Sun Journal, May 5, 2011*

**Committee endorses far-reaching changes to health insurance regulation,**  
*Bangor Daily News, May 1, 2011*

LD 1333,<sup>i</sup> enacted as Public Law 2011, Chapter 90, was a controversial bill.<sup>ii</sup> LD 1333 was originally introduced as a four page bill.<sup>iii</sup> Just prior to the public hearing on April 27, 2011, the four page bill was replaced in its entirety with a 25 page bill.<sup>iv</sup> Two days later on April 29th, a work session was held at which the 25 page bill was replaced in its entirety with

a 29 page bill<sup>v</sup> and the Insurance and Financial Services Committee passed the bill along a party-line vote “ought to pass as amended.”<sup>vi</sup> The committee spent less than an hour reviewing the measure.<sup>vii</sup> When the Republican controlled committee considered the bill for mark-up on May 3rd, it was replaced again by a 45 page bill<sup>viii</sup> that added two new sections. Despite requests for a new public hearing in light of the dramatic changes to the original bill, no additional public hearings were held.<sup>ix</sup> Two days after mark-up, when the

<sup>i</sup> L.D. 1333 (125th Legis. 2011), An Act to Modify Rating Practices for Individual and Small Group Health Plans and To Encourage Value-based Purchasing of Health Care Services was sponsored by Representative Richardson of Warren, cosponsored by Senator Whittemore of Somerset and Representatives Black of Wilton, Dow of Waldoboro, Fitzpatrick of Houlton, McKane of Newcastle, Picchiotti of Fairfield.

<sup>ii</sup> Steve Mistler, Lawmakers Rework Insurance Bill as Rancor Ensues, House Vote Looms, *Lewiston Sun Journal*, (May 5, 2011), <http://www.sunjournal.com/state/story/1025072>.

<sup>iii</sup> L.D. 1333 (125th Legis. 2011), dated Mar. 29, 2011, <http://www.mainelegislature.org/legis/bills/getPDF.asp?paper=HP0979&item=1&num=125>.

<sup>iv</sup> Draft for Review, Proposed Draft Committee Amendment to L.D. 1333, Proposed by Rep. Richardson, (Apr. 27, 2011).

<sup>v</sup> Draft for Review, Proposed Draft Committee Amendment to L.D. 1333, Proposed by Rep. Richardson, (Revised Apr. 28, 2011).

<sup>vi</sup> Meg Haskell, Committee Endorses Far-reaching Changes to Health Insurance Regulation, *Bangor Daily News* (May 1, 2011), <http://bangordailynews.com/2011/05/01/health/committee-endorses-far-reaching-changes-to-health-insurance-regulation/>.

<sup>vii</sup> *Id.*

<sup>viii</sup> Me. Leg. Ins. and Fin. Serv. Comm., Mark Up for IFS Review, Maj. OTP-A Rpt., L.D. 1333, 125th Leg., (May 3, 2011).

<sup>ix</sup> Me. Leg. Ins. and Fin. Serv. Comm., Activity Sheet L.D. 1333, 125th Leg.



bill was brought to the floor of the House of Representatives on May 5th, the House Minority Leader challenged the expansion of the bill after the committee vote and asked for a ruling by the House Speaker under Joint Rule 310.<sup>x</sup> Joint Rule 310 states in relevant part: "After a committee vote, no substantive change may be made in the committee report unless motions to reconsider and to amend the report are approved at a committee work session."<sup>xi</sup> The House Speaker decided that the addition of 16 pages that included two new sections on May 3rd to the 29 page bill voted on in committee on April 29th did "not meet the definition of the word substantive as used in Joint Rule 310" and that "the amendment [was] in compliance with Joint Rule 310."<sup>xii</sup>

Opponents argued that the new majority "ramrodded" the bill through the Maine Legislature and that its implications were not analyzed or understood.<sup>xiii, xiv</sup>

<sup>x</sup> Statement by House Minority Leader, Rep. Emily Cain, Legis. Rec. H-386 (1st Reg. Sess. 2011).

<sup>xi</sup> Me. Leg. Jt. Rules, 310(2), 125th Leg., (revised January 24, 2012), [http://www.maine.gov/legis/house/jr\\_frame.htm](http://www.maine.gov/legis/house/jr_frame.htm).

<sup>xii</sup> Statement by House Speaker, Rep. Robert Nutting, Legis. Rec. H-386 (1st Reg. Sess. 2011).

<sup>xiii</sup> "I've been a committee chair since 1982," Senator Joseph Brannigan, D-Portland, the ranking Democrat on the committee, said. "And I've never seen anything ramrodded through committee without facts, discussion and public input. We were handed more than three inches of paper, including five-year-old data from another state. We had no time to read it – never mind time to understand the impact this will have on people's lives." Steve Mistler, GOP Pushes Surprise Insurance Overhaul Through Committee, Lewiston Sun Journal, (Apr. 30, 2011), <http://www.sunjournal.com/state/story/1022681>.

<sup>xiv</sup> "Rep. Sharon Treat, D-Hallowell, the lead House Democrat on the committee, said the Bureau of Insurance has yet to determine the bill's impact on people or whether

Proponents didn't disagree that the bill was rushed, but argued that no studies were needed and that free market competition would make health insurance premiums affordable for all including Maine's uninsured citizens.<sup>xv, xvi, xvii</sup>

The Maine Legislature gave the 45 page bill final approval on May 16th, 20 days after the public hearing on the original four page bill. The next day, May 17th, Governor LePage signed it into law. It became effective on September 27, 2011.

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it is financially realistic." Tom Bell, Legislature To Vote on Health Care Overhaul: Committee Republicans support the plan despite criticism that the implications are still unclear, Portland Press Herald, (May 3, 2011), [http://www.pressherald.com/news/legislature-to-vote-on-health-care-overhaul\\_2011-05-03.html](http://www.pressherald.com/news/legislature-to-vote-on-health-care-overhaul_2011-05-03.html).

<sup>xv</sup> "It boils down to this," [Rep.] Richardson said in an interview on Saturday. "The other party does not like this stuff; it's as simple as that ... we could pound it for another two weeks and we would still end up with the same situation we had yesterday in the committee room." Meg Haskell, Committee Endorses Far-reaching Changes to Health Insurance Regulation, Bangor Daily News (May 1, 2011), <http://bangordailynews.com/2011/05/01/health/committee-endorses-far-reaching-changes-to-health-insurance-regulation/>.

<sup>xvi</sup> "Earlier in the work session, McKane said it wouldn't make any difference if Democrats had time to review the specifics because they'd reject it." Steve Mistler, GOP Pushes Surprise Insurance Overhaul Through Committee, Lewiston Sun Journal, (Apr. 30, 2011), <http://www.sunjournal.com/state/story/1022681>.

<sup>xvii</sup> Insurance and Financial Services Committee Senate Chairman, Senator Whittemore: "L.D. 1333 will not fix the high cost of health [sic] care itself but will lower the cost of health insurance for all Maine citizens. . . . It will provide affordable insurance for the 133,000 Maine people who currently have no insurance due to affordability. . . . It will lower the cost of insurance for all Maine people through increased competition and acceleration of the number of people going into the insurance pool." Legis. Rec. S-650 (1st Reg. Sess. 2011).

Appendix B-1

**Small Group Geographic Area Factors Effective July 1, 2012**

<b>Geographic Area Rating Factors in Maine's Small Group Market Under Chapter 90</b>					
	<b>Insurance Company and Effective Date</b>				
	<b>Anthem</b>	<b>Aetna</b>	<b>Harvard</b>	<b>HPHC/Dirigo</b>	<i>Mean</i>
	<b>7/1/2012</b>	<b>7/1/2012</b>	<b>7/1/2012</b>	<b>7/1/2012</b>	
<b>County</b>					
<b>Androscoggin</b>	1.0000	1.0000	1.0500	0.9700	<i>1.01</i>
<b>Aroostook</b>	1.2500	1.2750	1.3000	1.1500	<i>1.24</i>
<b>Cumberland</b>	0.8500	0.8500	0.9500	0.9000	<i>0.89</i>
<b>Franklin</b>	1.1000	1.0000	1.0500	1.0250	<i>1.04</i>
<b>Hancock</b>	1.2500	1.2000	1.3000	1.2000	<i>1.24</i>
<b>Kennebec</b>	1.0000	0.9500	1.0500	0.9300	<i>0.98</i>
<b>Knox</b>	0.9500	0.9500	1.1000	0.9500	<i>0.99</i>
<b>Lincoln</b>	0.9750	1.0000	1.1000	0.9750	<i>1.01</i>
<b>Oxford</b>	0.9750	1.0000	1.0500	0.9750	<i>1.00</i>
<b>Penobscot</b>	1.1000	1.0500	1.3000	1.1500	<i>1.15</i>
<b>Piscataquis</b>	1.1000	1.2750	1.3000	1.1500	<i>1.21</i>
<b>Sagadahoc</b>	0.9500	0.9500	1.0500	0.9500	<i>0.98</i>
<b>Somerset</b>	1.1250	1.2000	1.0500	1.1500	<i>1.13</i>
<b>Waldo</b>	1.1000	1.0000	1.1000	1.0500	<i>1.06</i>
<b>Washington</b>	1.2750	1.2750	1.3000	1.2000	<i>1.26</i>
<b>York</b>	0.9500	0.9500	0.9500	0.9000	<i>0.94</i>

Source: Maine Bureau of Insurance (2012)



Appendix B-2

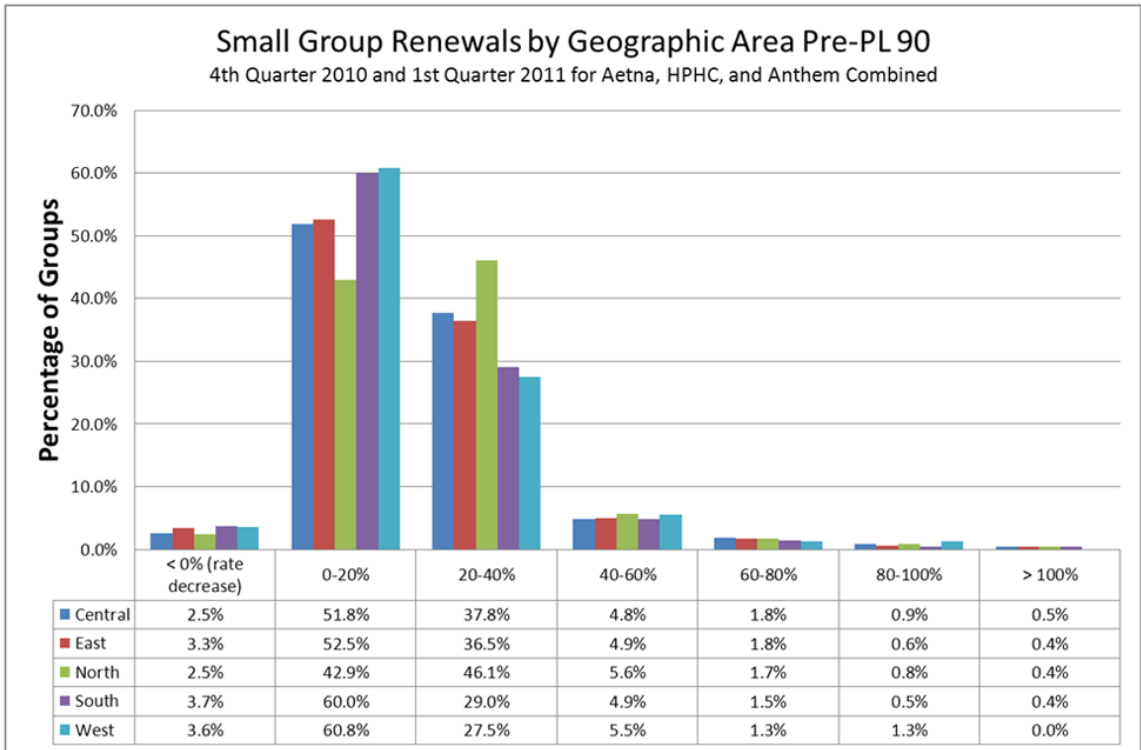
**Small Group Geographic Area Factors Effective October 1, 2011**

<b>Geographic Area Rating Factors in Maine's Small Group Market Under Chapter 90</b>					
<b>Insurance Company and Effective Date</b>					
	<b>Anthem</b>	<b>Aetna</b>	<b>Harvard</b>	<b>United</b>	<b>Mean</b>
	<b>10/1/2011</b>	<b>10/1/2011</b>	<b>10/1/2011</b>	<b>10/1/2011</b>	
<b>County</b>					
<b>Androscoggin</b>	1.0000	1.0000	1.0500	1.0500	<i>1.03</i>
<b>Aroostook</b>	1.2500	1.2750	1.3000	1.1000	<i>1.23</i>
<b>Cumberland</b>	0.9000	0.8500	0.9500	1.0000	<i>0.93</i>
<b>Franklin</b>	1.1000	1.0000	1.0500	1.1000	<i>1.06</i>
<b>Hancock</b>	1.2500	1.2000	1.3000	1.1000	<i>1.21</i>
<b>Kennebec</b>	1.0000	0.9500	1.0500	1.0500	<i>1.01</i>
<b>Knox</b>	0.9500	0.9500	1.1000	1.0000	<i>1.00</i>
<b>Lincoln</b>	0.9750	1.0000	1.1000	1.0000	<i>1.02</i>
<b>Oxford</b>	0.9750	1.0000	1.0500	1.1000	<i>1.03</i>
<b>Penobscot</b>	1.1000	1.0500	1.3000	1.0000	<i>1.11</i>
<b>Piscataquis</b>	1.1000	1.2750	1.3000	1.1000	<i>1.19</i>
<b>Sagadahoc</b>	0.9500	0.9500	1.0500	1.0000	<i>0.99</i>
<b>Somerset</b>	1.1250	1.2000	1.0500	1.1000	<i>1.12</i>
<b>Waldo</b>	1.1000	1.0000	1.1000	1.0000	<i>1.05</i>
<b>Washington</b>	1.3000	1.2750	1.3000	1.1000	<i>1.24</i>
<b>York</b>	0.9000	0.9500	0.9500	1.0000	<i>0.95</i>

Source: Maine Bureau of Insurance (2012) modified by CAHC to include the Mean.

## Appendix C

### Small Group Renewals, Pre-Chapter 90, By Geographic Area 4 Q 10 and 1 Q 11



Area Key:				
Central	East	North	South	West
Androscoggin, Kennebec, Sagadahoc	Knox, Hancock, Lincoln, Waldo, Washington	Aroostook, Penobscot, Piscataquis	Cumberland, York	Franklin, Oxford, Somerset

Source: Maine Bureau of Insurance

Appendix D

**Apples-to-Oranges: Comparison of Premiums for Two Different Insurance Products (HealthChoice and HealthChoice Plus)**

HealthChoice \$2,250 Deductible w/ Mental Health Vs. HealthChoice Plus \$2,000 Deductible w/Mental Health												
Age Band	One Adult		Two Adults		1 Adult W/ >= 1 Child	1 Adult W/1 Child	1 Adult W/ > 1 Child	2 Adults W/ >= 1 Child	1 Adult W/ >= 1 Child		2 Adults W/ >= 1 Child	
	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS
0 - 18	\$616.59	\$204.23	\$1,233.17	\$408.47	\$968.29	\$297.37	\$968.29	\$297.37	\$428.68	\$1,560.34	\$598.46	\$598.46
19 - 24	\$616.59	\$215.23	\$1,233.17	\$430.46	\$968.29	\$313.38	\$968.29	\$313.38	\$451.76	\$1,560.34	\$630.68	\$630.68
25 - 29	\$616.59	\$233.14	\$1,233.17	\$466.28	\$968.29	\$339.46	\$968.29	\$339.46	\$489.36	\$1,560.34	\$683.16	\$683.16
30 - 34	\$690.91	\$254.50	\$1,381.82	\$509.01	\$1,085.01	\$370.57	\$1,085.01	\$370.57	\$534.20	\$1,748.43	\$745.77	\$745.77
35 - 39	\$690.91	\$279.95	\$1,381.82	\$559.91	\$1,085.01	\$407.62	\$1,085.01	\$407.62	\$587.62	\$1,748.43	\$820.34	\$820.34
40 - 44	\$758.41	\$314.20	\$1,516.82	\$628.41	\$1,191.01	\$457.49	\$1,191.01	\$457.49	\$659.51	\$1,919.24	\$920.70	\$920.70
45 - 49	\$828.18	\$362.90	\$1,656.37	\$725.81	\$1,300.58	\$528.40	\$1,300.58	\$528.40	\$716.73	\$2,095.81	\$1,063.41	\$1,063.41
50 - 54	\$932.84	\$435.80	\$1,865.69	\$871.60	\$1,464.94	\$634.54	\$1,464.94	\$634.54	\$914.74	\$2,360.67	\$1,277.01	\$1,277.01
55 - 59	\$1,061.02	\$525.34	\$2,122.03	\$1,050.70	\$1,666.22	\$764.92	\$1,666.22	\$764.92	\$1,102.70	\$2,685.02	\$1,539.41	\$1,539.41
60+	\$1,233.17	\$645.37	\$2,466.35	\$1,290.75	\$1,936.58	\$939.68	\$1,936.58	\$939.68	\$1,354.63	\$3,120.68	\$1,891.12	\$1,891.12

HealthChoice \$5,000 Deductible w/ Mental Health Vs. HealthChoice Plus \$5,000 Deductible w/Mental Health												
Age Band	One Adult		Two Adults		1 Adult W/ >= 1 Child	1 Adult W/1 Child	1 Adult W/ > 1 Child	2 Adults W/ >= 1 Child	1 Adult W/ >= 1 Child		2 Adults W/ >= 1 Child	
	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS
0 - 18	\$449.44	\$159.73	\$898.89	\$319.47	\$706.21	\$232.57	\$706.21	\$232.57	\$335.28	\$1,137.97	\$468.06	\$468.06
19 - 24	\$449.44	\$168.33	\$898.89	\$336.67	\$706.21	\$245.09	\$706.21	\$245.09	\$353.33	\$1,137.97	\$493.26	\$493.26
25 - 29	\$449.44	\$182.34	\$898.89	\$364.69	\$706.21	\$265.49	\$706.21	\$265.49	\$382.73	\$1,137.97	\$534.31	\$534.31
30 - 34	\$503.62	\$199.05	\$1,007.25	\$398.11	\$791.34	\$289.82	\$791.34	\$289.82	\$417.81	\$1,275.14	\$583.27	\$583.27
35 - 39	\$503.62	\$218.95	\$1,007.25	\$437.92	\$791.34	\$318.80	\$791.34	\$318.80	\$459.59	\$1,275.14	\$641.60	\$641.60
40 - 44	\$552.82	\$245.74	\$1,105.65	\$491.49	\$868.65	\$357.80	\$868.65	\$357.80	\$515.81	\$1,399.72	\$720.09	\$720.09
45 - 49	\$603.68	\$283.83	\$1,207.37	\$567.67	\$998.57	\$413.26	\$998.57	\$413.26	\$595.76	\$1,528.49	\$831.70	\$831.70
50 - 54	\$679.97	\$340.84	\$1,359.95	\$681.70	\$1,068.44	\$496.27	\$1,068.44	\$496.27	\$715.43	\$1,721.66	\$998.76	\$998.76
55 - 59	\$773.40	\$410.88	\$1,546.80	\$821.77	\$1,215.24	\$598.24	\$1,215.24	\$598.24	\$862.43	\$1,958.21	\$1,203.99	\$1,203.99
60+	\$898.89	\$504.75	\$1,797.79	\$1,009.52	\$1,412.42	\$734.92	\$1,412.42	\$734.92	\$1,059.47	\$2,275.94	\$1,479.06	\$1,479.06

Appendix D (continued)

HealthChoice \$10,000 Deductible w/ Mental Health Vs. HealthChoice Plus \$12,000 Deductible w/Mental Health												
Age Band	One Adult		Two Adults		1 Adult W/ >= 1 Child	1 Adult W/1 Child	1 Adult W/ > 1 Child	2 Adults W/ >= 1 Child		HC PLUS	% Change	% Change
	HC	PLUS	HC	PLUS	HC	HC	HC	HC	PLUS			
0 - 18	\$332.67	\$101.80	\$665.34	\$203.60	\$523.11	\$148.22	\$213.67	\$298.89	\$298.30		-69%	-59%
19 - 24	\$332.67	\$107.28	\$665.34	\$214.56	\$523.11	\$156.20	\$225.18	\$314.36	\$314.36		-68%	-57%
25 - 29	\$332.67	\$116.20	\$665.34	\$232.42	\$523.11	\$169.20	\$243.92	\$340.52	\$340.52		-65%	-53%
30 - 34	\$372.77	\$126.85	\$745.54	\$253.72	\$586.16	\$184.70	\$266.27	\$408.90	\$408.90		-66%	-55%
35 - 39	\$372.77	\$139.54	\$745.54	\$279.09	\$586.16	\$203.17	\$292.90	\$458.92	\$458.92		-63%	-50%
40 - 44	\$409.19	\$156.61	\$818.38	\$313.23	\$643.43	\$228.03	\$328.73	\$530.05	\$530.05		-62%	-49%
45 - 49	\$446.84	\$180.88	\$893.67	\$361.78	\$702.63	\$263.37	\$379.68	\$636.52	\$636.52		-60%	-46%
50 - 54	\$503.30	\$217.22	\$1,006.61	\$434.45	\$791.42	\$316.28	\$455.95	\$767.31	\$767.31		-57%	-42%
55 - 59	\$572.46	\$261.85	\$1,144.91	\$523.72	\$900.16	\$381.27	\$549.64	\$942.62	\$942.62		-54%	-39%
60+	\$665.34	\$321.68	\$1,330.69	\$643.37	\$1,046.22	\$468.37	\$675.21	\$1,685.77	\$1,685.77		-52%	-35%

HealthChoice \$15,000 Deductible w/Mental Health Vs. HealthChoice Plus \$12,000 Deductible w/Mental Health												
Age Band	One Adult		Two Adults		1 Adult W/ >= 1 Child	1 Adult W/1 Child	1 Adult W/ > 1 Child	2 Adults W/ >= 1 Child		HC PLUS	% Change	% Change
	HC	PLUS	HC	PLUS	HC	HC	HC	HC	PLUS			
0 - 18	\$212.01	\$101.80	\$424.02	\$203.60	\$333.92	\$148.22	\$213.67	\$298.30	\$298.30		-49%	-36%
19 - 24	\$212.01	\$107.28	\$424.02	\$214.56	\$333.92	\$156.20	\$225.18	\$314.36	\$314.36		-48%	-33%
25 - 29	\$212.01	\$116.20	\$424.02	\$232.42	\$333.92	\$169.20	\$243.92	\$340.52	\$340.52		-45%	-27%
30 - 34	\$237.57	\$126.85	\$475.13	\$253.72	\$374.17	\$184.70	\$266.27	\$408.90	\$408.90		-47%	-29%
35 - 39	\$237.57	\$139.54	\$475.13	\$279.09	\$374.17	\$203.17	\$292.90	\$458.92	\$458.92		-41%	-22%
40 - 44	\$260.78	\$156.61	\$521.55	\$313.23	\$410.72	\$228.03	\$328.73	\$530.05	\$530.05		-40%	-20%
45 - 49	\$284.77	\$180.88	\$569.53	\$361.78	\$448.51	\$263.37	\$379.68	\$636.52	\$636.52		-36%	-15%
50 - 54	\$320.76	\$217.22	\$641.51	\$434.45	\$505.19	\$316.28	\$455.95	\$767.31	\$767.31		-37%	-10%
55 - 59	\$384.83	\$261.85	\$729.65	\$523.72	\$574.60	\$381.27	\$549.64	\$942.62	\$942.62		-28%	-4%
60+	\$424.03	\$321.68	\$848.04	\$643.37	\$667.83	\$468.37	\$675.21	\$1,075.96	\$1,075.96		-24%	1%

Proposed rates for 7/1/2012

Bureau of Insurance Rate comparison

\*\*Additional deductibles are available at \$3,500 and \$7,500. Contact Anthem for the applicable premium rates.

Appendix D (continued)

HealthChoice* \$2,250 Deductible w/o Mental Health Vs. HealthChoice Plus \$2,000 Deductible w/Mental Health													
Age Band	One Adult		Two Adults		1 Adult W/ >= 1 Child		1 Adult W/1 Child		1 Adult W/ > 1 Child		2 Adults W/ >= 1 Child		
	HC	HC PLUS	HC	HC PLUS	% Change	HC	HC PLUS	% Change	HC	HC PLUS	% Change	HC	HC PLUS
0 - 18	\$447.78	\$204.23	\$895.55	\$408.47	-54%	\$703.19	\$297.37	-58%	\$428.68	\$1,133.14	-39%	\$598.46	\$1,133.14
19 - 24	\$447.78	\$215.23	\$895.55	\$430.46	-52%	\$703.19	\$313.38	-55%	\$451.76	\$1,133.14	-36%	\$630.68	\$1,133.14
25 - 29	\$447.78	\$233.14	\$895.55	\$466.28	-48%	\$703.19	\$339.46	-52%	\$489.36	\$1,133.14	-30%	\$683.16	\$1,133.14
30 - 34	\$501.75	\$254.50	\$1,003.50	\$509.01	-49%	\$787.95	\$370.57	-53%	\$534.20	\$1,269.73	-32%	\$745.77	\$1,269.73
35 - 39	\$501.75	\$279.95	\$1,003.50	\$559.91	-44%	\$787.95	\$407.62	-48%	\$587.62	\$1,269.73	-25%	\$820.34	\$1,269.73
40 - 44	\$550.77	\$314.20	\$1,101.54	\$628.41	-43%	\$864.93	\$457.49	-47%	\$659.51	\$1,393.78	-24%	\$920.70	\$1,393.78
45 - 49	\$601.44	\$362.90	\$1,202.88	\$725.81	-40%	\$944.50	\$528.40	-44%	\$761.73	\$1,522.01	-19%	\$1,063.41	\$1,522.01
50 - 54	\$677.45	\$435.80	\$1,354.89	\$871.60	-36%	\$1,063.86	\$634.54	-40%	\$914.74	\$1,714.35	-14%	\$1,277.01	\$1,714.35
55 - 59	\$770.53	\$525.34	\$1,541.05	\$1,050.70	-32%	\$1,210.04	\$764.92	-37%	\$1,102.70	\$1,949.90	-9%	\$1,539.41	\$1,949.90
60+	\$895.55	\$645.37	\$1,791.10	\$1,290.75	-28%	\$1,406.38	\$939.68	-33%	\$1,354.63	\$2,266.29	-4%	\$1,891.12	\$2,266.29

HealthChoice* \$5,000 Deductible w/o Mental Health Vs. HealthChoice Plus \$5,000 Deductible w/Mental Health													
Age Band	One Adult		Two Adults		1 Adult W/ >= 1 Child		1 Adult W/1 Child		1 Adult W/ > 1 Child		2 Adults W/ >= 1 Child		
	HC	HC PLUS	HC	HC PLUS	% Change	HC	HC PLUS	% Change	HC	HC PLUS	% Change	HC	HC PLUS
0 - 18	\$326.40	\$197.73	\$652.79	\$319.47	-51%	\$512.86	\$232.57	-55%	\$335.28	\$826.41	-33%	\$468.06	\$826.41
19 - 24	\$326.40	\$168.33	\$652.79	\$336.67	-48%	\$512.86	\$245.09	-52%	\$353.33	\$826.41	-31%	\$493.26	\$826.41
25 - 29	\$326.40	\$182.34	\$652.79	\$364.69	-44%	\$512.86	\$265.49	-48%	\$382.73	\$826.41	-25%	\$534.31	\$826.41
30 - 34	\$365.74	\$199.05	\$731.48	\$398.11	-46%	\$574.69	\$289.82	-50%	\$417.81	\$926.03	-27%	\$583.27	\$926.03
35 - 39	\$365.74	\$218.95	\$731.48	\$437.92	-40%	\$574.69	\$318.80	-45%	\$459.59	\$926.03	-20%	\$641.60	\$926.03
40 - 44	\$401.47	\$245.74	\$802.94	\$491.49	-39%	\$630.83	\$357.80	-43%	\$515.81	\$1,016.50	-18%	\$720.09	\$1,016.50
45 - 49	\$438.41	\$283.83	\$876.81	\$567.67	-35%	\$688.87	\$413.26	-40%	\$595.76	\$1,110.02	-14%	\$831.70	\$1,110.02
50 - 54	\$493.81	\$340.84	\$987.62	\$681.70	-31%	\$775.92	\$496.27	-36%	\$715.43	\$1,250.30	-8%	\$998.76	\$1,250.30
55 - 59	\$561.66	\$410.88	\$1,123.31	\$821.77	-27%	\$882.53	\$598.24	-32%	\$862.43	\$1,422.08	-2%	\$1,203.99	\$1,422.08
60+	\$652.79	\$504.75	\$1,305.58	\$1,009.52	-23%	\$1,025.73	\$734.92	-28%	\$1,059.47	\$1,652.83	3%	\$1,479.06	\$1,652.83

Rates comparing Anthem's current HealthChoice product without mental health parity benefits to their new HealthChoice Plus product\*\*

Appendix D (continued)

HealthChoice * \$10,000 Deductible w/o Mental Health Vs. HealthChoice Plus \$12,000 Deductible w/Mental Health												
Age Band	One Adult		Two Adults		1 Adult w/ >= 1 Child	1 Adult w/1 Child	1 Adult w/ > 1 Child	2 Adults w/ 1 Child	2 Adults w/ >= 1 Child		% Change	
	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS		
0 - 18	\$241.59	\$101.80	\$483.18	\$203.60	\$379.89	\$148.22	\$213.67	\$612.12	\$298.30	\$298.30	-51%	
19 - 24	\$241.59	\$107.28	\$483.18	\$214.56	\$379.89	\$156.20	\$225.18	\$612.12	\$314.36	\$314.36	-49%	
25 - 29	\$241.59	\$116.20	\$483.18	\$232.42	\$379.89	\$169.20	\$243.92	\$612.12	\$340.52	\$340.52	44%	
30 - 34	\$270.71	\$126.85	\$541.43	\$253.72	\$425.68	\$184.70	\$266.27	\$685.90	\$371.73	\$371.73	-46%	
35 - 39	\$270.71	\$139.54	\$541.43	\$279.09	\$425.68	\$203.17	\$292.90	\$685.90	\$408.90	\$408.90	-40%	
40 - 44	\$297.16	\$156.61	\$594.32	\$313.23	\$467.27	\$228.03	\$328.73	\$752.91	\$458.92	\$458.92	-39%	
45 - 49	\$324.50	\$180.88	\$649.00	\$361.78	\$510.26	\$263.37	\$379.68	\$822.18	\$530.05	\$530.05	-36%	
50 - 54	\$365.51	\$217.22	\$731.01	\$434.45	\$574.74	\$316.28	\$455.95	\$926.08	\$636.52	\$636.52	-31%	
55 - 59	\$415.73	\$261.85	\$831.45	\$523.72	\$653.71	\$381.27	\$549.64	\$1,053.32	\$767.31	\$767.31	-27%	
60 +	\$483.18	\$321.68	\$966.36	\$643.37	\$759.78	\$468.37	\$675.21	\$1,224.23	\$942.62	\$942.62	-23%	

HealthChoice * \$15,000 Deductible w/o Mental Health Vs. HealthChoice Plus \$12,000 Deductible w/Mental Health												
Age Band	One Adult		Two Adults		1 Adult w/ >= 1 Child	1 Adult w/1 Child	1 Adult w/ > 1 Child	2 Adults w/ 1 Child	2 Adults w/ >= 1 Child		% Change	
	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS	HC	HC PLUS		
0 - 18	\$153.97	\$101.80	\$307.93	\$203.60	\$242.49	\$148.22	\$213.67	\$390.69	\$298.30	\$298.30	-24%	
19 - 24	\$153.97	\$107.28	\$307.93	\$214.56	\$242.49	\$156.20	\$225.18	\$390.69	\$314.36	\$314.36	-20%	
25 - 29	\$153.97	\$116.20	\$307.93	\$232.42	\$242.49	\$169.20	\$243.92	\$390.69	\$340.52	\$340.52	-13%	
30 - 34	\$172.53	\$126.85	\$345.05	\$253.72	\$271.72	\$184.70	\$266.27	\$437.78	\$371.73	\$371.73	-15%	
35 - 39	\$172.53	\$139.54	\$345.05	\$279.09	\$271.72	\$203.17	\$292.90	\$437.78	\$408.90	\$408.90	-7%	
40 - 44	\$189.38	\$156.61	\$378.76	\$313.23	\$298.27	\$228.03	\$328.73	\$480.55	\$458.92	\$458.92	-5%	
45 - 49	\$206.80	\$180.88	\$413.61	\$361.78	\$325.71	\$263.37	\$379.68	\$524.76	\$530.05	\$530.05	1%	
50 - 54	\$232.94	\$217.22	\$465.87	\$434.45	\$366.87	\$316.28	\$455.95	\$591.08	\$636.52	\$636.52	8%	
55 - 59	\$264.94	\$261.85	\$529.89	\$523.72	\$417.28	\$381.27	\$549.64	\$672.29	\$767.31	\$767.31	14%	
60 +	\$307.93	\$321.68	\$615.86	\$643.37	\$484.99	\$468.37	\$675.21	\$718.37	\$942.62	\$942.62	21%	

Proposed rates for 7/1/2012 Bureau of Insurance Rate comparison

\* Healthchoice coverage for Non-Grandfathered Options without the Mental Health parity rider

\*\*Additional deductibles are available at \$3,500 and \$7,500. Contact Anthem for the applicable premium rates.

Last Updated: May 15, 2012

Appendix E

**Small Group Renewal Rates by Geographic Area for  
Select Insurance Companies,  
2 Q 12**

<b>Anthem, Aetna, and Harvard-Pilgrim Small Group Renewal Rates 2Q12</b>										
	<b>Decrease</b>	<b>Increase</b>								
<b>Geographic Area</b>	< 0%	0% – 20%	20% - 40%	40% - 60%	60% - 80%	80% - 100%	Over 100%	Total	% Rate Increase	% Rate Decrease
<b>Central</b>	12	155	81	9	0	2	1	260	95.4%	4.6%
<b>East</b>	13	104	81	28	12	2	1	241	94.6%	5.4%
<b>North</b>	10	71	62	25	5	3	0	176	94.3%	5.7%
<b>South</b>	169	479	101	20	9	1	0	779	78.3%	21.7%
<b>West</b>	9	52	38	9	3	0	0	111	91.9%	8.1%
<b>Totals</b>	213	861	363	91	29	8	2	1567	86.4%	13.6%
		1,354								

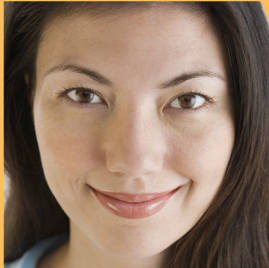
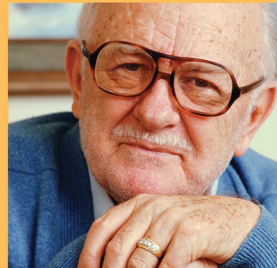
Source: Maine Bureau of Insurance modified by CAHC to include percentage of rate increases and





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