



## Selling out-of-state health insurance plans in Maine

### ***What is the proposal?***

The proposal is to allow health insurance plans that are sold in other states to be sold in Maine without meeting current state regulations. Those proposing this idea say that insurance is cheaper elsewhere and if we allow those plans to be sold here we would save money.

### ***Will this work?***

No, rates will not be lower for most people and the practice will put Mainers at risk.

### ***What will happen to rates if they won't be lower?***

Those in favor of this idea say that if Mainers can buy plans from other states they will be able to purchase less expensive coverage because health insurance is cheaper in other states.

In order to understand what will actually happen to rates, let's look at the three factors used in calculating an insurance premium:

- the price of covered services
- the services that are covered
- the quantity of those services needed by the covered population

Let's take each of these factors one by one and see how they would be impacted by this proposal:

- The price of services in Maine will not change just because the company writing the check is "from away." The costs in Maine are high and continue to climb (but let's not forget that even in those states where the premium is lower, they are seeing the same continued unsustainable escalation of costs).
- The services covered by an out-of-state policy could be VERY different from a policy written in Maine, but is that necessarily a good thing? Mainers have worked hard over the years to see to it that insurance sold in this state is comprehensive, providing adequate coverage when it's needed. State mandates have been criticized, but several studies that have reviewed the cost of mandates put the overall effect of Maine's mandates at 5% or less. Also, let's remember that they are mandates for a reason, to cover care that's needed.
- The quantity of those services needed by the population will not change, but what will happen is the population will be divided, with out-of-state plans attracting younger, healthier customers, leaving older and sicker customers to the Maine insurers.

## ***What will happen to younger, older, or sicker Mainers?***

### **Higher premiums for older and sicker Mainers**

We'll see an increase in premiums for those most at risk – the sick and old. Young, healthy customers will gravitate to less comprehensive and thus less expensive out-of-state policies. This will result in a smaller pool of people to pay for the more comprehensive plans still being sold in Maine, leading to higher premiums for that population.

### **Fewer younger and healthier workers in employer coverage; more uninsured**

But it gets even worse – as that trend continues we'll see an increase in the level of uninsured as the young and healthy employees in group plans purchase bare bones policies from out-of-state companies instead of from their employers. As fewer employees participate in the group plan, those employees that continue to participate will be higher cost, causing the premiums to rise, forcing more people out of the private market and either onto MaineCare or to joining the ranks of the uninsured. (This conclusion was drawn by the Government Accounting Office when asked to review a similar federal proposal.)

### **Insurers will exclude people with pre-existing conditions**

Remember, out-of-state insurers will not be subject to our rules on guaranteed issue (until that part of the ACA takes effect in 2014), so they will be able to exclude who they want – that is, exclude people who they think they might actually have to pay a claim to. Let's remember, there are many of us. A recent HHS report estimated there are 50 million people across the country with a pre-existing condition that would disqualify them from purchasing insurance if there weren't adequate protections.

## ***We've seen what happens to rates for those still buying insurance here in Maine, but won't those younger healthier Mainers buying products from other states be better off?***

First, let's remember that their coverage will not need to meet our comprehensive coverage standards that include items such as preventative care – their plans also might not cover other needed care (like maternity), although the consumer wouldn't know that until it was too late. In addition to not having adequate services covered, essential providers may not be covered. Our provider coverage requirements would not apply, so mid-wives, chiropractors and others' services may not be paid for.

And when they have a problem with their insurance company, Mainers who would now rely on their Maine Bureau of Insurance for protection will be at risk. The Bureau will have little authority over these plans and the state where the insurance originated will have little interest in helping Mainers. In these tough economic times will a resource-challenged Alabama regulator take time to help someone from Maine when there is an Alabama resident also clamoring for his attention?

***Why won't other states have protections that we currently have in Maine? Will it really be that bad?***

The ability to purchase out-of-state coverage will in fact drive insurance companies to states with the least consumer protections, forcing a race to the bottom. What happened with credit cards is a lesson to be remembered:

"What happens is that the health care industry becomes like the credit card industry. Some small state realizes it can attract a lot of business its way by winning the race to the regulatory bottom. So then, effectively, we've almost completely eliminated all regulations on health insurance." [*New Republic*, 2/17/10]

***But isn't it worth trying something new since the current situation isn't sustainable?***

The current situation is not sustainable, but change is coming. In fact, as part of the Affordable Care Act, beginning in 2014, two national plans will be sold in every state through the Exchange. This will be a chance to buy coverage from insurers outside of Maine without some of the risks discussed above.

Also in 2014, most plans will need to cover the essential benefits package. With that change, the overblown issue of mandated benefits will largely go away. While we don't yet know what will be defined as essential benefits, one likely model is what the Federal Government has chosen for its own employees in the Federal Employee Benefit Plan. According to a study by the Commonwealth Fund, most state mandates are already covered by the standard FEBP. It's hard to imagine Congress saying that everyone does not need the level of benefits they've given themselves.