

A Comprehensive Analysis of Maryland's Mandated Health Insurance Services

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Introduction



Lewis & Ellis was engaged to assist with conducting a comprehensive, comparative review, and actuarial analysis of state mandated health insurance benefits and services in Maryland and its surrounding states.



The mandates included within the analysis are within the Annotated Code of Maryland, *Insurance Article Title 15, Subtitle 8, "Required Health Insurance Benefits"*. There are 68 mandates in total.



Resources included: Maryland published reports, insurance carrier surveys, codes and/or statutes of surrounding states, mandate cost analysis reports from other states, other publicly available research.



Mandate Applicability to Markets

- L&E first determined the applicability of each mandate to the health insurance markets: individual, small group, and large group.
 - The scope of large group applicability extends to the State Employee Health Benefit Plan in this context. Despite being a self-insured plan, it falls under the category of public/non-ERISA (Employee Retirement Income Security Act of 1974) plans, thus making it subject to state mandate regulations.
- 56 out of the 68 total mandates apply to all markets.
- Since the prior comprehensive mandate analysis (2019), seven mandates have been amended and nine mandates have been added.

Comparison of Mandates to EHBs

The Affordable Care Act (ACA) was signed into law in 2010 with the majority of its small group and individual market policies becoming effective in 2014.

Per the ACA, all individual and small group insurance plans are mandated to include coverage for 10 essential health benefits (EHBs).

Regulations further define compliance with the EHB provision as a health plan that provides benefits that are, among other things, substantially equal to a state's selected EHB-benchmark plan.

For both the individual and small group markets, Maryland's EHB-benchmark plan is the 2017 Small Group CareFirst BlueChoice HMO/HRA \$1500 Plan.

57 of the 68 Maryland mandates are covered by the EHB-benchmark plan.



Full Cost Analysis

- L&E conducted a comprehensive assessment of the full cost of each mandate, presented in the full report as a percentage of premium and as a percentage of the State's average annual wage.
- This full cost evaluation was conducted for each designated market, including Individual, Small Group, Large Group, and the State Employee Health Benefit Plan (SEHBP or “State Plan”).
- Total 2022 Premiums by Market are:
- As a percent of premium, the total full cost of the mandates is estimated to be:

Market	PMPM
Individual	\$402.97
Small Group	\$495.95
Large Group	\$553.15
<i>Fully Insured Subtotal</i>	<i>\$524.49</i>
SEHBP	\$901.71
Grand Total	\$596.93

Market	% of Premium	PMPM
Individual	28.7%	\$115.65
Small Group	16.1%	\$79.94
Large Group	15.7%	\$86.92
<i>Fully Insured Subtotal</i>	<i>17.5%</i>	<i>\$89.55</i>
SEHBP	16.7%	\$150.29
Grand Total	17.3%	\$101.21



Full Cost Analysis Takeaways

The following contribute to a full cost as a percent of premium that is higher for the individual market compared to the other markets:

- In 2019, Maryland introduced a 1332 Waiver Reinsurance Program for the individual market which decreased premium PMPM in the individual market.
- The presence of anti-selection in the individual market. Anti-selection occurs when an individual enrolls in health insurance knowing that they will need to utilize services in an above-average manner. Conversely, in group markets, an individual is more likely to elect health insurance as a collective part of their employee benefit package even if they don't utilize the services in an above-average manner.

Full Cost Analysis Takeaways

The top ten highest full cost mandates, on average across all markets, were:

- 15-802: Mental Health & Substance Abuse Treatment
- 15-812: Hospital Coverage for Mothers and Newborns - Minimum Coverage
- 15-817: Child Wellness Services
- 15-835: Habilitative Services for Minors
- 15-853: Lymphedema Treatment
- 15-814: Cancer Screening - Mammograms
- 15-837: Cancer Screening - Colorectal
- 15-846: Cancer Coverage - Cost Sharing for Oral Chemotherapy
- 15-822.1: Prescription Drugs - Limit Cost Sharing for Insulin
- 15-808: Home Health Care

- The top ten mandates account for an estimated 13.5% of premium while all mandates account for an estimated 17.3% of premium, on average across all markets. However, the marginal cost of these mandates is estimated to be only 0.1% of premium.

Marginal Cost Analysis

- While a mandate's full cost is important in analyzing its impact, it is essential to recognize that a significant portion of the full costs would be present in health insurance coverage even without a mandate. There are two primary reasons costs might exist independently of a mandate:
 1. A carrier covers the service. This can be defined by a carrier:
 - Covering the benefit or service before the mandate was effective,
 - Covering the benefit or service in a market in which it is not mandated, or
 - Covering the benefit or service in another state in which it is not mandated.
 2. The benefit is required to be covered by the ACA and/or the State's EHB-Benchmark plan.
- Marginal cost is defined as the full cost minus the benefit cost that would remain even if the mandate were repealed. This approach produces the residual cost induced by the mandate.



Marginal Cost Results

- Most mandates are covered by Maryland’s EHB-benchmark plan and/or are typically covered outside of the coverage induced by the mandate. Therefore, the marginal cost attributed to the mandates is much less, averaging approximately 0.8% of the premium across all markets.
- As a percent of premium, the total marginal cost of the mandates is estimated to be:

Market	% of Premium	PMPM
Individual	0.3%	\$0.99
Small Group	0.2%	\$0.73
Large Group	1.0%	\$5.59
<i>Fully Insured Subtotal</i>	<i>0.8%</i>	<i>\$4.22</i>
SEHBP	0.9%	\$8.46
Grand Total	0.8%	\$5.03



Mandate Compliance in the Self-Funded Market

- Most self-insured plans are regulated by the Employee Retirement Income Security Act of 1974 (ERISA). As a result, most self-insured plans are not required to comply with state mandates. The Maryland data on voluntary self-insured compliance was broad and imprecise, so L&E categorized the compliance levels into specific ranges.

Range Name	Compliance Rate
Almost All	90-100%
Most	61-89%
Half	40-60%
Some	11-39%
Very Little	0-10%

- In summary, 60 out of 68 mandates had a self-funded market compliance rate of “half” or more.



Comparison of Mandates to Surrounding States

- L&E conducted a comparative analysis of mandated health insurance benefits and services between Maryland and the following neighboring jurisdictions:
 - Delaware
 - the District of Columbia
 - Pennsylvania
 - Virginia
- In summary, in comparison to neighboring states, Maryland's mandates demonstrate a similar overall value. Whether contemplating reducing mandates to align more closely with surrounding states, adding mandates to achieve parity with surrounding states, or a combination of both approaches, Maryland's current mandate full cost value remains within a range of 4 percentage points.

Conclusions



The full cost of the 68 health insurance mandates in Maryland amounts to approximately 17.3% of the premium when averaged across all markets.



Most of these mandates are covered by Maryland's EHB-benchmark plan and/or are typically covered outside of the coverage induced by the mandate. Therefore, the marginal cost attributed to the mandates is much less, averaging approximately 0.8% of the premium across all markets.



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In comparison to neighboring states, Maryland's mandates demonstrate a similar overall value. More specifically, Maryland's current mandate full cost value remains within a range of 4 percentage points.