Written Testimony for:

Mr. Al Redmer, Jr.
Commissioner
Maryland Insurance Administration

Chairman Chaffetz, Ranking Member Cummings and members of the Oversight & Government Reform Committee, thank you for the invitation to testify today. My name is Al Redmer. I am the Commissioner of the Maryland Insurance Administration. I am here today to offer my views on the risk adjustment program based on Section 1343 of the Affordable Care Act and its impact on a co-op incorporated in Maryland.

Evergreen Health Cooperative Inc. is a Maryland based co-op created under the federal Affordable Care Act to create more competition in the marketplace. Evergreen started writing business in 2014 with a focus on medical management, disease management and improved patient outcomes. For example, Evergreen offers a value-based insurance product for diabetic patients, which removes virtually all financial barriers — co-pays, co-insurance and deductibles — to services, medications and care that are needed to keep a diabetic patient from developing the myriad complications of that disease.

As a start-up insurance company, Evergreen's challenges have been to achieve scale and to compete with more recognizable insurance companies. Evergreen's enrollment as of January 2016 is 36,000 compared to 19,339 as of July 2015. Additionally, they have diversified their portfolio. They currently offer products in the individual, small and large group markets. Evergreen's medical loss ratio has been a reasonable 78%-85% over the last year. Based on current enrollment trends, Evergreen is on track to achieve 2016 enrollment goals and turn a profit at year-end

Over the past few years, new innovative health insurance plans have been created that are providing enhanced competition and patient care. And it is working. For year-end 2014, CareFirst had a 91% market share of the individual market in Maryland. Today, it is 57%, due in part to a more competitive marketplace. These carriers have the potential to continue, but their ability to do so is severely jeopardized by the adverse and perhaps fatal financial impact caused by the technical shortcoming of the current risk adjustment and risk corridor programs. The failure of these plans would be disruptive to the marketplace. State insurance regulators believe that a competitive marketplace benefits and protects policyholders.

The risk adjustment formula is of concern to state regulators because it has proven to place newer carriers at a distinct disadvantage. For example, the risk adjustment formula quantifies an enrollee's health status based on age, sex and diagnoses recorded during the course of the year. New carriers have very limited information on the health status or previous claims history of the applicants. Therefore, the carrier's population may appear healthier than it actually is if some diagnoses are not captured which may result in improper risk adjustment payments. Let's contrast this to the risk corridor mechanism. With risk corridor, carriers around the country received 12 cents on the dollar. If they are required to pay 100 cents into the risk adjustment formula, the math just doesn't work. We are setting up carriers around the country to fail.

The NAIC has urged CMS to review the formula and work with carriers and state regulators to make adjustments for 2015 and 2016 to ensure it is providing appropriate protection for all carriers, and not wait until 2017 or 2018 to enact reforms. There are several immediate solutions that would provide financial relief while technical corrections are developed. Among these are exempting new and fast-growing plans from risk adjustment for the first 3-5 years or limiting the amount a carrier pays for risk adjustment to 2% of the carrier's premium revenue in the year for which the risk adjustment payment is assessed.

I appreciate your invitation to speak today and encourage consideration of the immediate solutions which would provide stability in the individual and small group market, allow companies to compete and provide for the overall benefit of marketplace enrollees across the country.

Al Redmer, Jr. Biographical Summary
Commissioner, Maryland Insurance Administration

Alfred W. Redmer Jr. was appointed Maryland Insurance Commissioner by Governor Lawrence J. Hogan Jr. in January 2015. His term ends May 30, 2019. He previously served as Commissioner from June 2003 until October 2005. A respected businessman and former member of the Maryland General Assembly, Commissioner Redmer most recently managed Redmer Insurance Group, LLC, and owned Redmer Financial Group. His business experience includes time as partner and president of Landmark Insurance & Financial Group and as chief executive officer of Coventry Health Care of Delaware Inc.

During his 13-year tenure in the General Assembly representing Baltimore County, Commissioner Redmer served two years as the House Minority Leader. Throughout his career, he has stayed involved in numerous community and nonprofit organizations.

At the Maryland Insurance Administration, Commissioner Redmer oversees the independent agency's approximately 266 employees and an annual budget of $31 million.