



Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc  
2101 East Jefferson Street  
Rockville, Maryland 20852

May 22, 2023

Kathleen Birrane  
Commissioner  
Maryland Insurance Administration  
200 St. Paul Place  
Baltimore, MD 21202

**RE: Kaiser Permanente Comments for Reinsurance Stakeholder Meeting**

Dear Commissioner Birrane:

Thank you for the opportunity to provide comments for the upcoming reinsurance report. Kaiser Permanente has offered individual market on-exchange plans since the establishment of the Maryland Health Benefit Exchange in 2014. We remain supportive of the steps Maryland has taken to promote affordability, including the State Reinsurance Program (SRP). As the program enters its second waiver period, we offer a few recommendations to make the program stronger than ever.

**Create a care management incentive.** We know the real problem facing the individual market is not that premiums are too high, but that a small proportion of members (about 13,000, or 6%) is very sick, driving up costs. We applaud MHBE for including a focus on reinsurance program accountability efforts in its [2022-2025 strategic plan](#) and think that a care management incentive could encourage carriers to manage the care of members with claims reimbursed by the program, which could keep members healthy, save money, and curb growth in the program's cost.

Such an incentive would align with state programs to reduce utilization and healthcare spending, including the Total Cost of Care Model, the Medicaid HealthChoice Program, the Maryland Primary Care Program, and the Medicaid Behavioral Health Value-Based Purchasing Program. It also aligns with recent legislation, supported by all carriers, to encourage value-based care arrangements in the commercial market.<sup>1</sup>

**Modify program parameters to align with other state reinsurance programs.** [The slides shared during the first stakeholder meeting](#) show that Maryland's program has the lowest attachment point in the nation, at \$20,000; the median attachment point for all programs is \$40,000, with others reaching as high as \$100,000. We recommend that Maryland set the attachment point at \$40,000 for PY 2025, with annual adjustments for medical inflation. Raising the attachment point and tying it to inflation would help curb the growth of the program's cost to the state and better align the program with the rest of the nation.

**Replace or supplement the premium tax with general funds.** Premium taxes are built into the costs of health coverage and because the tax applies only to fully insured coverage, it increases costs for those who can least afford it — small businesses and individuals and families who

---

<sup>1</sup> See [Chapters 297 and 298](#) of the Acts of 2022.

purchase their own insurance (and cannot exempt themselves by adopting self-insured coverage). Fully insured employers, especially, are bearing the brunt of this tax, as they are unable to access premium subsidies to lower their rates. By including some general funds, the cost of the program can be more equitably distributed among all Marylanders.

**Continue to use a dampening factor to account for the interaction between reinsurance and risk adjustment.** Without a dampening factor, high-risk members generate excess profit for carriers because the sum of reinsurance and risk adjustment payments is too high compared to claims — and in some cases can exceed the cost of claims. The dampening factor creates an incentive for carriers to manage patient care.

**Consider supplementing SRP with other market reforms.** As discussed at the first meeting, SRP does nothing to lower premiums for the lowest income members, and there may be other steps the state can take to make coverage more affordable for that population. We look forward to the forthcoming discussion about state-based premium subsidies, cost-share reduction subsidies, and other market reforms, and may provide further thoughts on these topics after that meeting.

Thank you for the opportunity to comment, and we look forward to working with you further on this important issue. Please contact me at [Allison.W.Taylor@kp.org](mailto:Allison.W.Taylor@kp.org) or (202) 924-7496 with questions.

Sincerely,



Allison Taylor  
Director of Government Relations  
Kaiser Permanente