

# Maryland Labor and Delivery Cost Sharing Analysis

Prepared for Maryland Health Care Commission

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# Agenda

- Analysis Request
- Medical Background
- Insurance Coverage
- Financial Estimates

# Summary of Analysis Request

The Chair of the Health and Government Operations Committee of the Maryland House of Delegates requested the Maryland Health Care Commission assess the social, medical, and financial impact of requiring coverage for labor and delivery services without a deductible, coinsurance, copayment, or any other cost-sharing.

# Labor and Delivery Background

- The American College of Obstetricians and Gynecologists (ACOG), the American Academy of Pediatrics (AAP) and others in the medical community have advised that hospitals and accredited birth centers are the safest places to give birth.
- No clinical practice guidelines from professional organizations of providers caring for pregnant people recommend unattended births and, therefore, all birthing people would be expected to have labor and delivery services, regardless of the birth setting.



# Insurance Coverage

The Patient Protection and Affordable Care Act requires non-grandfathered individual and small group plans to cover labor and delivery services as an essential health benefit.

The state of Maryland has mandated that large group and grandfathered individual plans cover labor and delivery services.

Small group grandfathered plans may not cover labor and delivery services. For a plan to be grandfathered, it would need to remain substantially unchanged from the benefits provided prior to March 23, 2010.

# Current Labor and Delivery Cost Sharing Survey

- We surveyed the Maryland Insurance Administration and fully insured large group insurance carriers in Maryland about labor and delivery services for their most popular plans.
- Enrollees in plans with the richest benefits pay \$0 out-of-pocket for labor and delivery services or a copayment per admission.
  - Examples include Platinum metal tier plans and \$0 deductible plans.
- Enrollees in plans with leaner benefits are subject to higher deductibles and have coinsurances, up to 40% paid by the patient for labor and delivery services.
  - Examples include Bronze metal tier plans and plans with high deductibles.



# Financial Analysis Approach

Financial evaluation projections for the 2025 calendar year is estimated under two scenarios:

1. Baseline – Enrollees pay deductible, coinsurance, copayment, or any other cost–sharing on labor and delivery services.
2. Post Mandate – Enrollee cost sharing is eliminated on labor and delivery services.

The difference between the baseline and post mandate values is the impact of the removing deductible, coinsurance, copayment, or any other cost–sharing from labor and delivery services.



# Financial Analysis Approach

## Key Assumptions

- Health savings account (HSA) qualified high deductible health plans (HDHP) were excluded from the analysis.
- We estimate the birth rate for non-Medicaid populations to be 8.8 per 1,000. In aggregate, we estimate Maryland's birth rate is 11.1 per 1,000.
- We selected a set of plan designs to represent each of the commercial fully insured lines of business. These plans represent the most popular plans by metal tier or deductible level.

# Estimated Count of Deliveries

	INDIVIDUAL	SMALL GROUP	FULLY INSURED LARGE GROUP	TOTAL FULLY INSURED COMMERCIAL	STATE HEALTH PLAN	TOTAL COMMERCIAL
<b>Total enrollees subject to state mandates</b>	248,900	224,200	466,300	<b>939,400</b>	210,400	<b>1,149,800</b>
<b>Total enrolled in non-HSA qualified plans subject to state mandates</b>	227,700	89,500	307,900	<b>625,100</b>	210,400	<b>835,500</b>
<b>Total deliveries</b>	2,190	1,980	4,110	<b>8,280</b>	1,850	<b>10,130</b>
<b>Total non-HSA qualified plan deliveries</b>	2,010	790	2,710	<b>5,510</b>	1,850	<b>7,360</b>
<b>% deliveries subject to mandate</b>	92%	40%	66%	<b>67%</b>	100%	<b>73%</b>

# Estimated Labor and Delivery Cost and Cost-sharing

## Average cost of commercial labor and delivery in Maryland, 2025

Baseline and Post mandate

- \$21,750

## Average enrollee cost-sharing for commercial labor and delivery in Maryland, 2025

Baseline

- \$1,120

Post mandate

- \$0

## Estimated Labor and Delivery Cost and Cost-sharing (Cont.)

Metal Tier	Individual	Small Group
Platinum	\$900	\$230
Gold	\$1,640	\$580
Silver	\$3,270	\$3,630
Bronze	\$3,920	\$3,460

Fully Insured Large Group and State Health Plans	
All Fully Insured Large Group	\$230
State Health Plan PPO	\$0
State Health Plan EPO	\$1,140
State Health Plan IHM	\$0

# Commercial premium increase due to cost sharing elimination on labor and delivery services

	INDIVIDUAL	SMALL GROUP	FULLY INSURED LARGE GROUP	TOTAL FULLY INSURED COMMERCIAL	STATE HEALTH PLAN	TOTAL COMMERCIAL
Per member per month increase	\$1.93	\$0.85	\$0.20	\$0.92	\$0.81	\$0.89
Per member per year increase	\$23.16	\$10.20	\$2.40	\$11.04	\$9.72	\$10.68
Total annual increase	\$5,274,000	\$908,000	\$747,000	\$6,929,000	\$2,043,000	\$8,972,000

# Considerations and Limitations

- Due to the low response to the benefit coverage survey, the estimated financial impact on large group enrollees may not be reflective of the Maryland large group market. The carrier with full responses is approximately 20% of the full insured large group market but comprises over 70% of our survey enrollees. The resulting estimated out-of-pocket savings may be lower than what may be realized by an elimination of enrollee cost sharing on labor and delivery services because the carrier with complete responses does not have labor and delivery cost sharing for any of their most popular plans.
- The labor and delivery services we identified are limited to services billed during the delivery admission, if a labor and delivery service was prepaid and billed prior to the delivery admission, those costs would not be included. Conversely, if non-labor and delivery services incurred prior to or after the delivery admission were billed during the admission, those costs would be included.
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- Our methodology for identifying labor and delivery costs assumes each user has one delivery in a year.

# Considerations and Limitations

- We are using the most popular plan designs by tier or deductible level as a proxy for the entire market. Plan designs, including labor and delivery benefits, deductibles and out of pocket maximums, may vary within metal levels and deductible ranges. Our estimates may not reflect the entire commercial market and may be high or low depending on how the other plan designs within metal tiers or deductible levels apply cost sharing to labor and delivery services.
- We are applying deductible, coinsurance, and out-of-pocket maximums to all medical services other than preventive or labor and delivery services. For services that are subject to copayments but not the deductible, this will over-estimate their accumulation to the deductible and out-of-pocket maximum and underestimate the impact of labor and delivery cost sharing elimination.
- We are applying a 2% reduction to the maximum out-of-pocket amount to account for pharmacy costs not otherwise modeled. This is a flat reduction that assumes pharmacy services occur in the beginning of the year. If pharmacy utilization happens more uniformly throughout the year, our methodology will overestimate the impact of labor and delivery cost sharing elimination.
- Births rates for the commercial and State Health Plan population developed from the APCD are not consistent with birth rates reported by the US Census for the state of Maryland. We rescaled the APCD data we received for consistency with birth rates using data from the Maryland Vital Statistics Report 2020 and the US Census.
- In per member per year calculations, we assume enrollees are enrolled for 12 months.

# Caveats

- Differences between our estimates and actual amounts depend on the extent to which future experience conforms to the assumptions made in this model. It is almost certain that actual experience will not conform exactly to the assumptions used in this model. Actual amounts will differ from projected amounts to the extent that actual experience is better or worse than expected.
- Milliman has developed certain models to estimate the values included in this report. The intent of the models was to estimate the impact of removing cost sharing from labor and delivery services. We have reviewed this model, including its inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).
- The models rely on data and information as input to the models. We have relied upon certain data and information for this purpose and accepted it without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in this report may likewise be inaccurate or incomplete. Milliman's data and information reliance includes: data from Maryland's All Payer Claims Database, US Census data and projections, Maryland Medicaid age distribution, and all other sources mentioned inline and in references, including survey and studies.
- The models, including all input, calculations, and output may not be appropriate for any other purpose.

# Caveats

- We have performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our investigation.
- Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. One of the developers of this model and author of this paper, Casey Hammer, is a member of the American Academy of Actuaries and meets the qualification standards for performing the analyses supported by this model.
- Milliman does not intend to benefit any third-party recipient of its work product and assumes no duty or liability to other parties who receive this work.



# Thank you

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