HB 489

Department of Legislative Services

Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE

Third Reader - Revised

House Bill 489 (Delegate Hammen, *et al.*)

Health and Government Operations Finance

Termination of Maryland Health Insurance Plan, Transfer of Senior Prescription Drug Assistance Program, and Funding for State Reinsurance Program

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This bill repeals the Maryland Health Insurance Plan (MHIP), the Board of Directors for MHIP, the MHIP Fund, and the assessment on hospital rates used to operate and administer MHIP. Administration of the Senior Prescription Drug Assistance Program (SPDAP) is transferred to the Department of Health and Mental Hygiene (DHMH), and a special, nonlapsing SPDAP Fund is established in DHMH. The bill requires that certain funds transferred from the MHIP Fund be used only for the State Reinsurance Program. The bill also makes numerous conforming changes and deletes obsolete provisions of law.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Special fund revenues decline by $41.8 million in FY 2017 from repeal of the MHIP assessment; Medicaid general fund expenditures and federal fund revenues and expenditures also decline due to its repeal. Special fund expenditures for closure of MHIP continue in FY 2017, but transfer to the Maryland Health Benefit Exchange (MHBE). Revenues from the CareFirst subsidy transfer to a new special fund under DHMH for SPDAP and are not reflected below. SPDAP expenditures also transfer to DHMH and continue through December 31, 2019.

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	($41.8)	($42.6)	($43.5)	($44.3)	($45.2)
FF Revenue	($5.0)	($5.1)	($5.2)	($5.3)	($5.4)
GF Expenditure	($3.3)	($3.4)	($3.5)	($3.5)	($3.6)
SF Expenditure	$0	$14.0	$14.0	$14.0	$0
FF Expenditure	($5.0)	($5.1)	($5.2)	($5.3)	($5.4)
Net Effect	($38.4)	($53.2)	($54.0)	($54.8)	($41.6)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

Repeal of the Maryland Health Insurance Plan: With the exception of those that relate directly to SPDAP, all employees, books and records, real and personal property, equipment, fixtures, assets, liabilities, and credits of MHIP must be transferred to MHBE on July 1, 2016. Employees must be transferred without diminution of their rights, benefits, employment, or retirement status.

Repeal of the Maryland Health Insurance Plan Fund: All funds remaining in the separate account for SPDAP in the MHIP Fund must be transferred to the new SPDAP Fund in DHMH on July 1, 2016. The contents of the MHBE Fund derived from the MHIP Fund consist of all revenue transferred from the MHIP Fund before July 1, 2016. Money transferred from the MHIP Fund is repealed as a source of funding for the Health Care Coverage Fund. The bill specifies that $90,000 of the remaining MHIP Fund balance obtained from the federal Medicare or Medicaid program may be used in fiscal 2016 and 2017 to support the remaining expenses of MHIP.

Senior Prescription Drug Assistance Program: The termination date of SPDAP is extended by three years to December 31, 2019. The current $14.0 million cap on the subsidy required for SPDAP is extended through fiscal 2020. CareFirst must continue to provide $14.0 million annually for SPDAP in fiscal 2018 through 2020.

All employees, books and records, real and personal property, equipment, fixtures, assets, liabilities, obligations, and credits of MHIP that relate directly to SPDAP must be transferred to DHMH on July 1, 2016. Employees must be transferred without diminution of their rights, benefits, employment, or retirement status. DHMH must provide funds to the Administrator of SPDAP for the cost of the State subsidy and administrative expenses incurred on behalf of SPDAP.

Senior Prescription Drug Assistance Fund: The SPDAP Fund is to support the administration, operation, and activities of SPDAP. The fund, administered by DHMH, consists of money transferred to the fund by CareFirst, money appropriated in the State budget, interest earnings, and money from any other source.

Excess funds not required for SPDAP may be used only to subsidize (1) the Kidney Disease Program or (2) the provision of mental health services to the uninsured. Moreover, excess funds may only be used for these purposes if they are transferred by budget amendment and the budget committees have considered the amendment or 45 days have passed since the date the budget amendment was submitted.

State Reinsurance Program: Funds transferred from the MHIP Fund to the MHBE Fund before July 1, 2016, must be placed in the separate account for the State Reinsurance Program. MHBE must use these funds for the State Reinsurance Program. The bill repeals the authorization to use surplus hospital assessment funds for the State Reinsurance Program.

Miscellaneous Provisions: The bill repeals the 3% cap on the combined Medicaid and MHIP hospital assessments, as the MHIP assessment is repealed. The Medicaid assessment remains set in statute at 1.25% of projected regulated net patient revenue. The bill also repeals the defunct Maryland Pharmacy Assistance Program. The program ceased operations in fiscal 2006.

Current Law/Background:

Maryland Health Insurance Plan: MHIP served as the State's insurer of last resort for medically uninsurable individuals beginning in 2003. Under the federal Patient Protection and Affordable Care Act (ACA), this population can buy private health insurance due to elimination of preexisting condition limitations. Therefore, MHIP ceased coverage. As of January 1, 2015, there were no MHIP enrollees.

Maryland Health Insurance Fund: The MHIP Fund was established to provide premium support for MHIP enrollees. The fund is supported by an assessment of 0.3% of hospital revenue and is paid by all payers. Chapter 159 of 2013 authorized the MHIP Board to transfer money not needed for MHIP to the State Reinsurance Program to mitigate the impact of high-risk individuals on rates. The Budget Reconciliation and Financing Act of 2015 (2015 BRFA) authorized DHMH to use up to $55.0 million in funds from the MHIP Fund for Medicaid provider reimbursements in fiscal 2015. The 2015 BRFA also authorized the remaining fund balance obtained from Medicare or Medicaid to be used in fiscal 2016 through 2019 to support integrated care networks designed to reduce health care expenditures and improve outcomes for specified Medicare and dual-eligible (Medicaid and Medicare) patients, consistent with the goals of Maryland's all-payer model.

Senior Prescription Drug Assistance Program: SPDAP provides Medicare Part D premium and coverage gap assistance to moderate-income Maryland residents who are eligible for Medicare and are enrolled in a Medicare Part D prescription drug plan. SPDAP provides a premium subsidy of up to $40 per month toward members' Medicare Part D premiums. SPDAP also pays a subsidy to members enrolled in certain Medicare

Part D Advantage Plans when those members enter the coverage gap or "donut hole" (in 2016, $3,310 in prescription drug costs). Eligible individuals only have to pay a 5% coinsurance on the total prescription costs incurred in the coverage gap. SPDAP currently assists 28,361 members with their Medicare Part D prescription drug costs. SPDAP terminates December 31, 2016.

There are two subsidies provided by CareFirst to SPDAP: (1) a subsidy under § 14-106 of the Insurance Article, which funds the SPDAP premium subsidy and is capped at $14.0 million annually from fiscal 2008 through 2017; and (2) a subsidy under § 14-106.2 of the Insurance Article, which provides assistance with the Medicare Part D coverage gap and is provided in an amount of $4.0 million in years in which CareFirst incurs a specified surplus. If SPDAP were to terminate, the $14.0 million CareFirst subsidy would continue and be redirected to the Community Health Resources Commission and the Kidney Disease Program. The additional $4.0 million CareFirst subsidy would be discontinued.

State Reinsurance Program: Chapter 159 of 2013 authorized the MHIP Board to transfer money not needed for MHIP to a new State Reinsurance Program designed to mitigate the impact of high-risk individuals on rates in the individual insurance market inside and outside MHBE. ACA established a federal transitional reinsurance program for benefit years 2014 through 2016 to transfer funds to individual market insurance plans with higher-cost enrollees and to stabilize premiums among insurers.

For 2015, the federal reinsurance payment will cover 50% of claims costs for enrollees whose claims exceed an attachment point of $70,000, up to a cap of $250,000. For 2016, the federal reinsurance payment will cover 50% of claims costs for enrollees whose claims exceed an attachment point of $90,000, up to a cap of $250,000. The MHIP and MHBE boards approved providing supplemental coinsurance through the State Reinsurance Program to ensure that carriers are made whole for a total of 80% of claims above the attachment point in 2015 at an estimated cost of $40.0 million. For 2016, State Reinsurance Program payments will ensure that carriers are made whole for a total of 80% of claims between the federal attachment point and cap, up to a maximum State expenditure of $21.3 million.

As no funding for the State Reinsurance Program has been authorized beyond plan year 2016, and the bill specifies that the program is to be funded with monies transferred to the MHBE Fund before July 1, 2016, authorization for surplus hospital assessment funds to be used for the program is no longer needed.

State Fiscal Effect:

Maryland Health Insurance Plan and the State Reinsurance Program: The bill repeals the special fund revenue source for the operation of MHIP (hospital assessment). As the 2015

BRFA prohibits the MHIP assessment for fiscal 2016, special fund revenues decline by $41.8 million in fiscal 2017 from repeal of the MHIP assessment. Future years reflect the amount if the assessment imposed would have increased by 2% annually.

Medicaid general fund expenditures decline by $3.3 million to reflect lower hospital rates in the absence of the assessment. Federal fund revenues and expenditures decline by $5.0 million to reflect a reduction in federal matching funds. The fiscal 2017 Medicaid budget reflects these savings. Future years reflect ongoing savings and assume a Medicaid fund split of 60% federal funds, 40% general funds.

At the end of fiscal 2016, MHIP will transfer $61.4 million from the MHIP Fund to MHBE. MHIP advises that a balance of approximately $32.5 million will remain in the MHIP Fund and will be transferred to DHMH to fund integrated care networks as authorized by the 2015 BRFA.

All employees, property, and liabilities of MHIP (other than those related to SPDAP) transfer to MHBE on July 1, 2016. Of the five MHIP positions, three are currently vacant; thus, this analysis assumes that the two remaining employees transfer to MHBE and the three vacant positions are eliminated. However, MHIP and MHBE advise that all five positions are eliminated in the fiscal 2017 budget and only one current MHIP employee will remain with MHBE in fiscal 2017, as a part-time contractual position.

MHBE will oversee the closure of MHIP, including claims runout, document retention, asset resolution, and completion of final audits. MHBE will also assume responsibility for payments under the State Reinsurance Program. Reinsurance payments piggyback on the federal program (State payments are provided only after federal payments are made to carriers) and are paid for calendar/plan year 2015 and 2016 in fiscal 2017 and 2018, respectively.

MHBE advises it anticipates $90,000 in administrative expenses for the closure of MHIP and $40.0 million in reinsurance payments for fiscal 2017. The fiscal 2017 budget for MHBE includes $40,090,000 in special funds for these purposes. In fiscal 2018, MHBE projects $21.3 million in reinsurance payments. In combination, fiscal 2017 and 2018 expenditures will deplete the $61.4 million in MHIP funds anticipated to be transferred to MHBE.

Senior Prescription Drug Assistance Program: Revenues for SPDAP (CareFirst subsidy) continue through fiscal 2020, and expenditures continue through December 31, 2019. SPDAP is transferred from MHIP to the Medical Care Program Administration in DHMH effective July 1, 2016. All funds remaining in the separate account for SPDAP in the MHIP Fund must be transferred to the new SPDAP Fund in DHMH on July 1, 2016. The balance to be transferred to the new SPDAP Fund is estimated to be approximately $4.4 million.

All employees, property, and liabilities of SPDAP transfer to DHMH on July 1, 2016. One position at MHIP related to SPDAP will transfer to DHMH.

The fiscal 2017 budget includes $18.0 million in revenues and expenditures for SPDAP, including the one position and associated funding. The Behavioral Health Administration budget also includes $8.3 million for community mental health services funded with SPDAP funds.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of Health and Mental Hygiene, Maryland Health Benefit Exchange, Maryland Insurance Administration, Department of Legislative Services

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