

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1504 (Delegate Lam, *et al.*)
Health and Government Operations

Task Force to Study Reinsurance to Reduce Health Insurance Premiums

This bill establishes a Task Force to Study Reinsurance to Reduce Health Insurance Premiums. The Maryland Department of Health must provide staff for the task force. A member of the task force may not receive compensation but is entitled to reimbursement for expenses under the standard State travel regulations, as provided in the State budget. **The bill takes effect June 1, 2018, and terminates June 30, 2019.**

Fiscal Summary

State Effect: Staffing for the task force and reimbursement for expenses can likely be handled with existing budgeted resources. General fund expenditures may increase in FY 2019 only for actuarial services, as discussed below. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force must (1) study the feasibility of creating a State reinsurance program; (2) study whether a State reinsurance program would help stabilize the health insurance market, including creating a model to estimate potential reductions in premiums; and (3) make recommendations regarding the creation of a subsidized reinsurance program, including the creation of a fund, the amount needed, and potential sources of funding.

Current Law/Background: Reinsurance is insurance for insurers that protects against significant losses. The federal Patient Protection and Affordable Care Act (ACA) included

a federal transitional reinsurance program, for calendar 2014 through 2016, intended to stabilize the market due to an anticipated influx of higher-cost individuals once insurance became guaranteed issue. Maryland also provided a State Supplemental Reinsurance Program in calendar 2015 and 2016. Federal reinsurance payments totaled \$217.2 million (\$57.4 million in 2014, \$103.9 million in 2015, and \$55.9 million in 2016). State reinsurance payments totaled \$60.8 million (\$39.5 million in 2015 and \$21.3 million in 2016). Funding for State reinsurance came from funds left over from the Maryland Health Insurance Plan (the State's former high-risk pool, which ended subsequent to passage of the ACA). A federal waiver is not required to implement a reinsurance program, unless a state wants to use federal funding.

Although the federal reinsurance program ended in calendar 2016, the U.S. Department of Health and Human Services (HHS) modified the federal risk adjustment program to include a reinsurance component beginning in calendar 2018. The program will reimburse for 60% of the cost of enrollees with total claims exceeding \$1.0 million. HHS has proposed to continue this program in calendar 2019.

State Expenditures: The Department of Legislative Services has contracted with Wakely Consulting for actuarial analysis regarding reinsurance options to quantify the size of the problem of high-cost enrollees in the individual market for calendar 2019 and the cost of a meaningful solution. The analysis is anticipated to be completed by mid-March. To the extent this analysis is sufficient to inform the task force's recommendations, no additional expenditures are anticipated. However, to the extent additional actuarial analysis is required, general fund expenditures increase in fiscal 2019 only, by as much as \$100,000.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Health; Maryland Insurance Administration; Department of Legislative Services

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