HB 726

Department of Legislative Services

Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 726 (Delegate R. Lewis, *et al.*)
Health and Government Operations

Maryland Department of Health - Basic Health Program - Implementation

This bill requires the Maryland Department of Health (MDH), by June 1, 2019, to report to the Department of Legislative Services (DLS) and the General Assembly on whether the State, beginning January 1, 2020, can implement a Basic Health Plan (BHP). If the report (or a specified follow-up report) finds that implementation can accomplish specified objectives, MDH and the Maryland Health Benefit Exchange (MHBE) must collaborate to provide BHP coverage beginning on a specified date. If neither report finds that implementation can accomplish such objectives, the requirement to implement BHP terminates. **The bill's reporting requirements take effect July 1, 2018.**

Fiscal Summary

State Effect: Medicaid expenditures increase by at least $50,000 (50% general funds, 50% federal funds) in FY 2019 to model the impact of implementation of BHP in Maryland. Federal fund revenues increase correspondingly. This analysis does not reflect any costs associated with a possible follow-up report or the potential implementation of BHP coverage, which may begin as early as FY 2020.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
FF Revenue	$25,000	$0	$0	$0	$0
GF Expenditure	$25,000	$0	$0	$0	$0
FF Expenditure	$25,000	$0	$0	$0	$0
Net Effect	($25,000)	$0	$0	$0	$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The MDH reports must address whether the State can accomplish the following objectives:

- implement BHP to significantly reduce the cost of coverage to some or all individuals with incomes up to 200% of federal poverty guidelines ($24,280 for an individual and $50,200 for a family of four in 2018) who are ineligible for Medicaid;
- pay for BHP services using *only* federal funding;
- implement BHP efficiently through existing State agencies; and
- retain enough covered lives in health plans offered through MHBE to assure market stability.

If the initial MDH report finds that BHP implementation *can* accomplish all of these objectives, MDH and MHBE must collaborate to provide BHP coverage beginning January 1, 2020.

If the initial report finds that BHP implementation *cannot* accomplish all of these objectives, MDH must submit a follow-up report to DLS and the General Assembly by March 1, 2020, on whether the State can implement BHP to accomplish the objectives beginning January 1, 2021.

If the follow-up report finds that BHP implementation *can* accomplish all of these objectives, MDH and MHBE must collaborate to provide BHP coverage beginning January 1, 2021.

MDH must consult with MHBE and other specified stakeholders and experts in preparing the reports.

Current Law/Background: The federal Patient Protection and Affordable Care Act (ACA) gives states the option to implement BHP, a health benefits coverage program for low-income residents who would otherwise be eligible to purchase coverage through the exchange. BHP is available to individuals with incomes up to 200% of federal poverty guidelines (FPG) – in 2018, $24,280 for an individual or $50,200 for a family of four.

To be eligible for BHP services, an individual must be (1) a state resident; (2) age 64 or younger; (3) a U.S. citizen or lawfully present immigrant; and (4) ineligible for other minimum essential coverage, including Medicaid (which provides coverage for individuals with incomes up to 138% FPG), the Children's Health Insurance Program, and affordable insurance offered by an employer.

The federal government pays 95% of the amount of the federal advanced premium tax credits and cost-sharing reductions (CSRs) that would otherwise have been provided if eligible individuals purchased a qualified health plan through the exchange. However, CSR payments were suspended by the federal government in 2017.

Two states, Minnesota and New York, have BHPs, with Minnesota's program beginning January 1, 2015, and New York's program beginning April 1, 2015. MDH advises that, in fiscal 2017, Minnesota and New York found that federal funds were projected to cover only 68% and 85% of the states' total BHP costs, respectively. Both states are also currently in litigation with the federal government regarding interpretation of the BHP funding formula in light of the termination of CSR payments. The federal government will not factor in CSR subsidies for fiscal 2018 funding, which reduces federal payments to these states by 25%, in addition to the existing shortfalls.

In January 2012, prior to implementation of MHBE and expansion of Medicaid under the ACA, Maryland Medicaid and The Hilltop Institute completed an initial analysis of BHP. The report concluded that BHP represents an innovative approach to providing coverage to a low-income population that may be able to mitigate churning for individuals moving between Medicaid and MHBE. However, the report noted that there were several unknown factors at the time that prohibited an adequate assessment of whether the federal payment and enrollee premiums would cover BHP plan costs and how much State financial liability would be involved.

State Fiscal Effect: Medicaid expenditures increase by at least $50,000 (50% general funds, 50% federal funds) in fiscal 2019 to model the financial impact of implementing BHP in Maryland. If a follow-up report is required, expenditures increase by an additional $50,000 (50% general funds, 50% federal funds) in fiscal 2020 to model coverage a second time. Federal matching revenues increase accordingly.

This analysis does not reflect any potential fiscal impact associated with implementation of BHP in Maryland, which could begin as early as January 1, 2020, under the bill, pending the outcome of MDH's reports.

Additional Information

Prior Introductions: None.

Cross File: SB 690 (Senator Benson, *et al.*) - Finance.

Information Source(s): Centers for Medicare and Medicaid Services; Maryland Department of Health; Maryland Health Benefit Exchange; Department of Legislative Services

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md/ljm

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