D79Z02
Maryland Health Insurance Plan

Operating Budget Data

($ in Thousands)

	FY 12 Actual	FY 13 Working	FY 14 Allowance	FY 13-14 Change	% Change Prior Year
Special Fund	$133,055	$168,882	$175,439	$6,557	3.9%
Contingent & Back of Bill Reductions	0	0	-1	-1	
Adjusted Special Fund	**$133,055**	**$168,882**	**$175,438**	**$6,556**	**3.9%**
Federal Fund	14,999	34,751	27,084	-7,667	-22.1%
Adjusted Federal Fund	**$14,999**	**$34,751**	**$27,083**	**-$7,668**	**-22.1%**
Nonbudgeted Fund	101,942	123,523	87,569	-35,954	-29.1%
Adjusted Nonbudgeted Fund	**$101,942**	**$123,523**	**$87,569**	**-$35,954**	**-29.1%**
Reimbursable Fund	0	10,000	0	-10,000	-100.0%
Adjusted Reimbursable Fund	**$0**	**$10,000**	**$0**	**-$10,000**	**-100.0%**
Adjusted Grand Total	**$249,996**	**$337,156**	**$290,090**	**-$47,065**	**-14.0%**

- Funding for the Maryland Health Insurance Plan (MHIP) declines $47.1 million due to reductions in federal and nonbudgeted funds that account for a scaling down of the program starting in January 2014.

- Federal funds support the MHIP Federal program which is ending January 1, 2014. The collection of premiums from MHIP Federal members (nonbudgeted funds) will also end on that date.

Note: Numbers may not sum to total due to rounding.

For further information contact: Richard H. Harris Phone: (410) 946-5530

Personnel Data

	FY 12 Actual	FY 13 Working	FY 14 Allowance	FY 13-14 Change
Regular Positions	12.00	12.00	11.00	-1.00
Contractual FTEs	0.00	0.00	0.00	0.00
Total Personnel	**12.00**	**12.00**	**11.00**	**-1.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/12	1.00	8.33%

- One regular position is deleted in the allowance, and the agency had 1 position vacant as of December 31, 2012.

Analysis in Brief

Major Trends

MHIP Applications and Costs Covered: Eligibility for MHIP requires that applicants have been denied individual coverage, have been offered a plan that excludes or limits coverage of a medical condition, or have been offered coverage that costs more than MHIP due to a specified health condition. The percent of the total eligible population that applied for MHIP coverage grew slightly to 41.3% in fiscal 2012, but the overall eligible population was smaller than in prior years.

Senior Prescription Drug Assistance Program Coverage: The Senior Prescription Drug Assistance Program (SPDAP) reduces the cost of prescription drugs for Maryland's seniors by subsidizing the cost of prescription drugs for people eligible for Medicare and enrolled in a Medicare Part D Prescription Drug Plan. The number of SPDAP members grew 19% from fiscal 2009 to 2012.

Issues

Future of MHIP Uncertain: When MHIP ends, members will be able to obtain insurance in the Maryland Health Benefit Exchange (MHBE). It had been expected that MHIP would end when the exchange opens in January 2014, but legislation has been introduced to extend MHIP's operations to at least January 2015. Many aspects of the transition are unknown, including how to move MHIP members into MHBE, how the State Reinsurance Program (SRP) will operate, and if MHIP's fund balance will be enough to cover the reinsurance program's costs. **MHIP should comment on the transition of members into the exchange, including MHIP Plus members on January 1, 2014, and those that will still be enrolled at the end of coverage. MHBE should comment on the preliminary plans for SRP.**

Recommended Actions

1. Adopt committee narrative requesting a report on the transition of members to the Maryland Health Benefit Exchange.

2. Adopt committee narrative requesting a report on the State Reinsurance Program.

Updates

SPDAP Fund Balance: Like MHIP, funds appropriated for SPDAP revert to a fund balance if revenues exceed expenditures in each fiscal year. Between fiscal 2010 and 2013, $31 million has been transferred from the SPDAP fund balance to other programs, most notably the Kidney Disease Program. SPDAP's projections show the program running out of money in fiscal 2015, though in prior years, actual expenditures have been lower than what was projected.

D79Z02
Maryland Health Insurance Plan

Operating Budget Analysis

Program Description

As of October 1, 2008, the Health Insurance Safety Net Program became an independent State agency. Prior to that, it was organizationally part of the Maryland Insurance Administration but managed independently. The program is governed by a board.

The Health Insurance Safety Net Program includes the Maryland Health Insurance Program (MHIP) and the Senior Prescription Drug Assistance Program (SPDAP). MHIP has two parts:

- **MHIP State:** The State's high risk health insurance pool, whose purpose is to provide access to affordable, comprehensive health benefits for the medically uninsurable. The program is funded by premiums paid by enrollees (nonbudgeted funds) and hospital assessment revenues (special funds) and a small federal grant. MHIP State also includes an MHIP State Plus option, which provides additional premium subsidies for enrollees with incomes at or below 300% of the federal poverty line.

- **MHIP Federal:** This is also a high-risk health insurance pool, established under the federal Patient Protection and Affordable Care Act (ACA). Program funding is derived from premiums paid by enrollees (nonbudgeted funds) and federal fund support.

MHIP Federal will last only until the establishment of health care exchanges legislated in the ACA beginning in 2014. At that time, enrollees in both high-risk pools (State and federal) will be able to obtain coverage through the exchange or the open market. Though it was anticipated that MHIP would end when the exchanges open, legislation has been introduced setting an ending date between 2015 and 2020 and stating that it will not enroll any new members starting January 2014. Existing enrollees will transition to the exchange or open market by January 2020 at the latest.

SPDAP provides Medicare Part D premium and coverage gap assistance for the purchase of outpatient prescription drugs for moderate-income (at or below 300% of the federal poverty level) Maryland residents who are eligible for Medicare and are enrolled in a Medicare Part D Prescription Drug Plan. SPDAP receives special funds from a portion of the value of CareFirst's premium tax exemption.

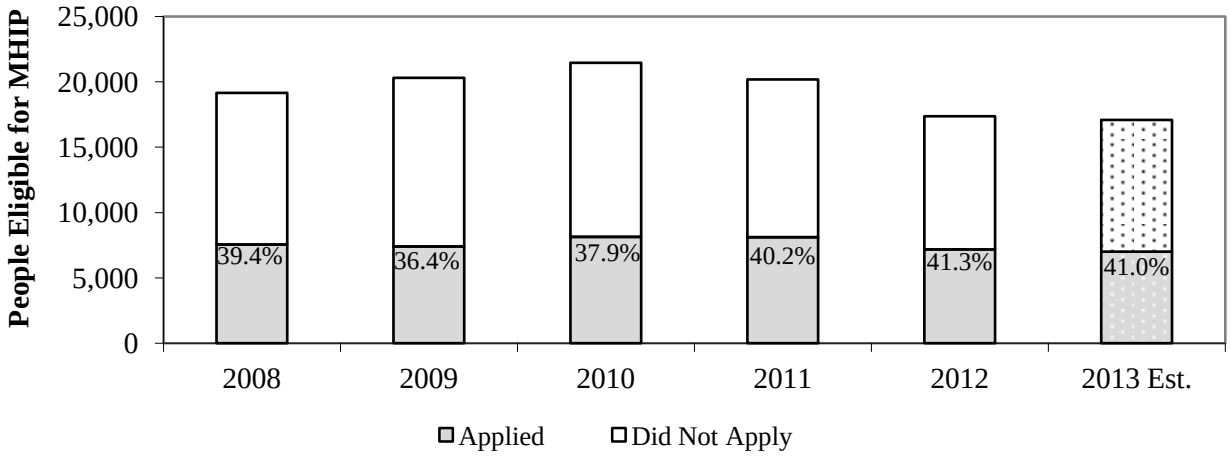
Performance Analysis: Managing for Results

1. MHIP Applications and Costs Covered

Medical eligibility for the program requires that applicants have been denied individual coverage, have been offered a plan that excludes or limits coverage for a medical condition, have been offered coverage that costs more than MHIP due to a specific health condition, or have one of certain specified health conditions. Individuals can also qualify for MHIP if they have exhausted their Consolidated Omnibus Reconciliation Act (COBRA) coverage. The number of individuals that have been denied or offered substandard insurance coverage by other carriers is one indication of the population eligible for MHIP.

Exhibit 1 shows the estimated total population who becomes eligible for MHIP in each year and the percentage that applies for MHIP coverage. The percent of the eligible population applying for MHIP coverage increased nearly 5 percentage points between fiscal 2009 and 2012, to 41.3%. MHIP expects the rate to stay relatively flat in fiscal 2013. The exhibit also shows that the number of people becoming eligible each year is estimated to have declined by over 4,000 people since fiscal 2010. Medical expenses covered by MHIP are considered avoided uncompensated care costs, and increasing the number of MHIP participants could reduce costs for hospitals.

Exhibit 1
Applications for Coverage from Individuals That Have Been Denied or Offered Substandard Insurance
Fiscal 2008-2013

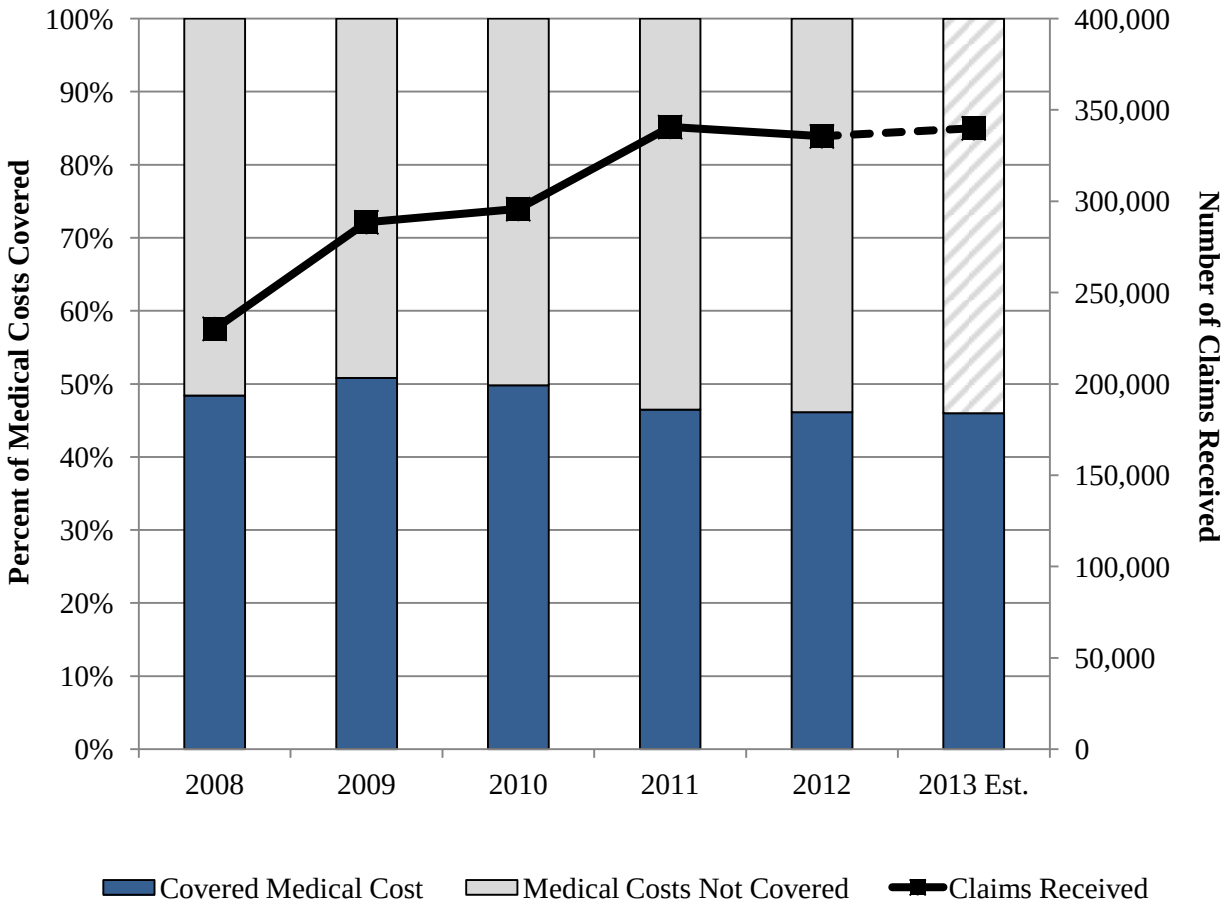


MHIP: Maryland Health Insurance Plan

Source: Governor's Budget Books, Fiscal 2011-2013; Department of Legislative Services

Exhibit 2 shows the percent of member claims costs that were covered by MHIP compared to the total value of those claims. The costs shown here are what are considered avoided uncompensated care. The percentage of costs covered has fallen slightly in the past few years, to 46.1% in fiscal 2012, from 50.8% in fiscal 2009. As the number of claims grew (45.8% since fiscal 2008), so too have claims for costs that are not covered by MHIP.

Exhibit 2
Proportion of Medical Costs Covered by MHIP
Fiscal 2008-2013



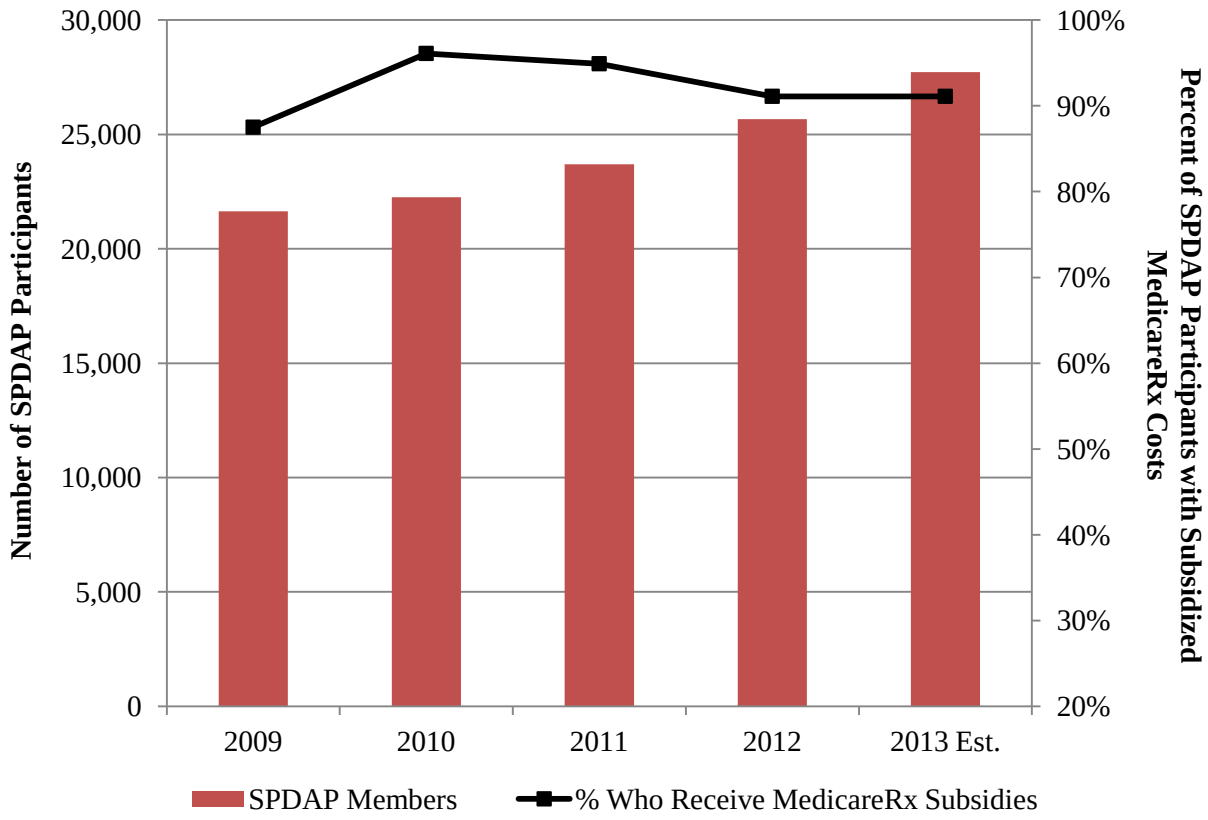
MHIP: Maryland Health Insurance Plan

Source: Governor's Budget Books, Fiscal 2011-2014

2. Senior Prescription Drug Assistance Program Coverage

SPDAP aims to reduce the costs of prescription drugs for Maryland's seniors. **Exhibit 3** shows the number of participants in the plan and the number of those who have MedicareRx costs subsidized by the plan. While the number of SPDAP participants had grown steadily since fiscal 2009, the percent of members who receive MedicareRx subsidies has fallen to 91.1% in fiscal 2012, from 96.1% in fiscal 2010. The agency explains that there are still benefits to enrolling in SPDAP even if the person is not eligible for subsidized premium costs, such as Medicaid coverage gap subsidies and the ability to change Medicare Part D plans at any time of year.

Exhibit 3
SPDAP Participants and Percent Who Receive MedicareRx Subsidies
Fiscal 2009-2013



SPDAP: Senior Prescription Drug Assistance Program

Source: Governor's budget Books, Fiscal 2012-2014

Proposed Budget

Exhibit 4 shows that the overall budget for MHIP declines $47.1 million, with reductions to federal, nonbudgeted, and reimbursable funds. Only special funds (MHIP's hospital assessment and SPDAP's CareFirst premium tax exemption contribution) increase in the allowance, by $6.6 million. The exhibit shows that the changes in personnel costs are relatively minor compared to the three programs administrated by the agency.

Employee and retiree health insurance costs grow $57,207, as contribution rates for regular employees increase in fiscal 2014. The rate increase is attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings in the 2011 pension reform. A reduction of $128,166 accounts for salary and fringe benefits of a position abolished in the allowance.

MHIP State

The biggest changes in the budget reflect the assumption that a large portion of MHIP State's members will exit the plan on January 1, 2014, and obtain coverage in the Maryland Health Benefit Exchange (MHBE). This is shown by the $25.1 million decline in premium-supported medical claims expenditures. Funding for medical claims available through MHIP hospital assessment grows $14.4 million and does not reflect any change in members or coverage.

The Department of Legislative Services (DLS) has been advised that some parts of the budget were formed with the previous expectation that MHIP would end entirely on January 1, 2014. Administrative expenses, for example, decline $7.1 million, about half of the fiscal 2013 working appropriation. As MHIP will continue until at least fiscal 2015, some parts of the budget may be underfunded. **MHIP should comment on how it intends to account for administrative and other non-medical claims costs in the second half of the year.**

Finally, a reduction of $10.0 million in reimbursable funds is related to a memorandum of understanding with the Department of Health and Mental Hygiene that required approval from the federal government. Federal approval was never received, and those funds are deleted from the fiscal 2014 budget.

MHIP Federal and SPDAP

Unlike MHIP State, MHIP Federal will end on January 1, 2014. Medical and administrative expenses, shown in Exhibit 4, decline $17.7 million and are intended to cover one half of the fiscal year. The increase in spending related to compliance audits addresses recommendations from the Office of Legislative Audits (OLA).

Exhibit 4
Proposed Budget
Maryland Health Insurance Plan
($ in Thousands)

How Much It Grows:	Special Fund	Federal Fund	Nonbudgeted Fund	Reim. Fund	Total
2013 Working Appropriation	$168,882	$34,751	$123,523	$10,000	$337,156
2014 Allowance	175,439	27,084	87,569	0	290,092
Amount Change	$6,557	-$7,667	-$35,954	-$10,000	-$47,064
Percent Change	3.9%	-22.1%	-29.1%	-100.0%	-14.0%
Contingent Reduction	-$1	$0	$0	$0	-$1
Adjusted Change	$6,556	-$7,668	-$35,954	-$10,000	-$47,065
Adjusted Percent Change	3.9%	-22.1%	-29.1%	-100.0%	-14.0%

Where It Goes:

Personnel Expenses	
Employee and retiree health insurance	$57
Accrued leave payout	29
Annualization of fiscal 2013 employee cost-of-living adjustment	12
Employee retirement	7
Other fringe benefit adjustments	1
Decline in regular salaries	-20
Abolished position	-128
MHIP State	
Medical claims expenditures (special funds)	14,358
Compliance audit expenses	158
Marketing expenses for Maryland Health Insurance Plan (MHIP) State	-20
Actuarial expenses	-35
Information technology maintenance and security	-76
Reduction in printing expenses	-93
Administrative costs	-7,099
Reimbursable funds based on a non-approved memorandum of understanding from the Department of Health and Mental Hygiene	-10,000
Medical claims expenditures (nonbudgeted funds)	-25,136

Where It Goes:

MHIP Federal	
Compliance audit expenses	166
Actuarial expenses	-65
Marking expenses for MHIP Federal	-800
Administrative costs	-2,071
Medical claims expenditures (federal funds)	-4,839
Medical claims expenditures (nonbudgeted funds)	-10,818
Senior Prescription Drug Assistance Program (SPDAP)	
Compliance audit expenses	46
Information technology maintenance and security	-12
Administrative costs	-18
Printing/Reproduction SPDAP	-23
Deletion of consulting service expenses	-50
Marketing expenses for SPDAP	-150
Prescription cost assistance (special funds)	-267
Other	-179
Total	**-$47,065**

Note: Numbers may not sum to total due to rounding.

Like MHIP State, parts of the SPDAP budget were also formed under the assumption that it would move to another agency on January 1, 2014, and may be underfunded in the allowance. It is currently unclear what will become of the program after that date, whether it will continue under MHIP or be administered by another agency. Similar to MHIP Federal, the only significant increase in the SPDAP is expenses related to compliance audits recommended by OLA.

Issues

1. Future of MHIP Uncertain

Maryland has moved faster than other states to implement the ACA. The General Assembly has passed laws to conform to federal regulations and set up a federal high risk book to operate parallel to MHIP. The Maryland Health Progress Act (MHPA) of 2013 (SB 274/HB 228) helps to direct the transition; however, there are still many outstanding questions.

Transition of MHIP Members to MHBE

As the MHBE prepares to operate on January 2014, plans have changed for MHIP. It was initially expected that both MHIP State and Federal would close on that date and that all members would obtain coverage through the exchange. However, there are concerns that the sudden addition of nearly 21,000 high risk individuals could lead to an increase in premiums. A consultant engaged by MBHE warned that individual premiums could rise by up to 30% if all MHIP members were to enter the exchange. However, if the MHIP hospital assessment could be used to subsidize costs, premium growth would be a moderate 2% a year.

The MHPA of 2013 takes MHIP in a different direction, stating that MHIP will end not in January 2014 but instead between January 2015 and January 2020 on a date chosen by MHIP's board of directors. The legislation also states that the plan would end new enrollments as of December 31, 2013. The MHPA of 2013 does not otherwise direct the transition of MHIP members into the exchange, or specify how it should happen. However, MHIP has indicated that members who are part of the plan's low-income subsidy program, MHIP Plus, would transition to MHBE on the first day, January 1, 2014, as well those enrolled in MHIP Federal. MHIP Plus represents about 7,000 of MHIP State's roughly 20,000 members, and about 1,000 people are enrolled in MHIP Federal.

Although the majority of MHIP members will be able to stay in the plan after the opening of MHBE, the transition of the remaining members will depend on the plan's attrition rate. Excluding MHIP Plus enrollees, about 400 members leave MHIP each month, or 4,800 a year, one-third of total non-MHIP Plus enrollees. This indicates that by the end of fiscal 2014, an additional 2,400 individuals may transition from MHIP to MHBE, assuming that they all purchase insurance in the exchange.

Although the attrition rate is quite high, member data shows that nearly 40% have been enrolled for more than three years, and 17% for more than five years. Unless the cost of plans in the exchange are especially favorable compared to MHIP, it is likely that this group will remain in MHIP until it ends coverage, or when they age-out of the program and into Medicare. The number of non-MHIP Plus members that would age-out into Medicare is about 600 per year. **MHIP and MHBE should comment on the transition of members into the exchange, including MHIP Plus and MHIP Federal members on January 1, 2014, and the logistics of transitioning those that will still be enrolled at the end of MHIP.**

MHIP has indicated that the intention for ending new enrollments on December 31, 2013, is that only people who are members on that date can continue with MHIP coverage into 2014, and that once members leave the plan, they will not be able to reenroll. They must instead go to MHBE. It should be noted that the legislation is more ambiguous and could be interpreted to mean that as long as you are an MHIP member on December 31, 2013, you could drop coverage and reenroll until the plan ends. An amendment may be required to clarify this matter.

Reinsurance

Although most MHIP members will not enter the exchange on the first day, there is still the potential for premium levels in the exchange to be high. The ACA provides three mechanisms to moderate premium costs: risk adjustment, or transferring funds from low-risk plans to high-risk plans; risk corridors, which are similar to risk adjustment but apply to insurance plans overall; and reinsurance.

Reinsurance subsidizes an insurer's costs for high-cost members. For example, if a member's claims were to exceed $50,000 (the "attachment point"), reinsurance would cover 30% of costs above that (both the attachment point and percent of costs covered are used for illustrative purposes). The ACA establishes a federal reinsurance program beginning in 2014 and ending in 2016, and allows for either federal or State control, or for the State to provide supplementary coverage in addition to a federally controlled program.

The MHPA of 2013 would establish a State Reinsurance Program (SRP) starting in January 1, 2015, a year after the federal program begins. This delay is likely related to the change in plans for MHIP and the decision to transition only one-third of the members into the exchange in January 2014. MHBE also does not yet have the statutory authority to use MHIP's hospital assessment revenue, which will continue to be collected by MHIP after December 2013. Though the MHPA of 2013 would give that authority, it would not be available before insurance providers set their rates for 2014.

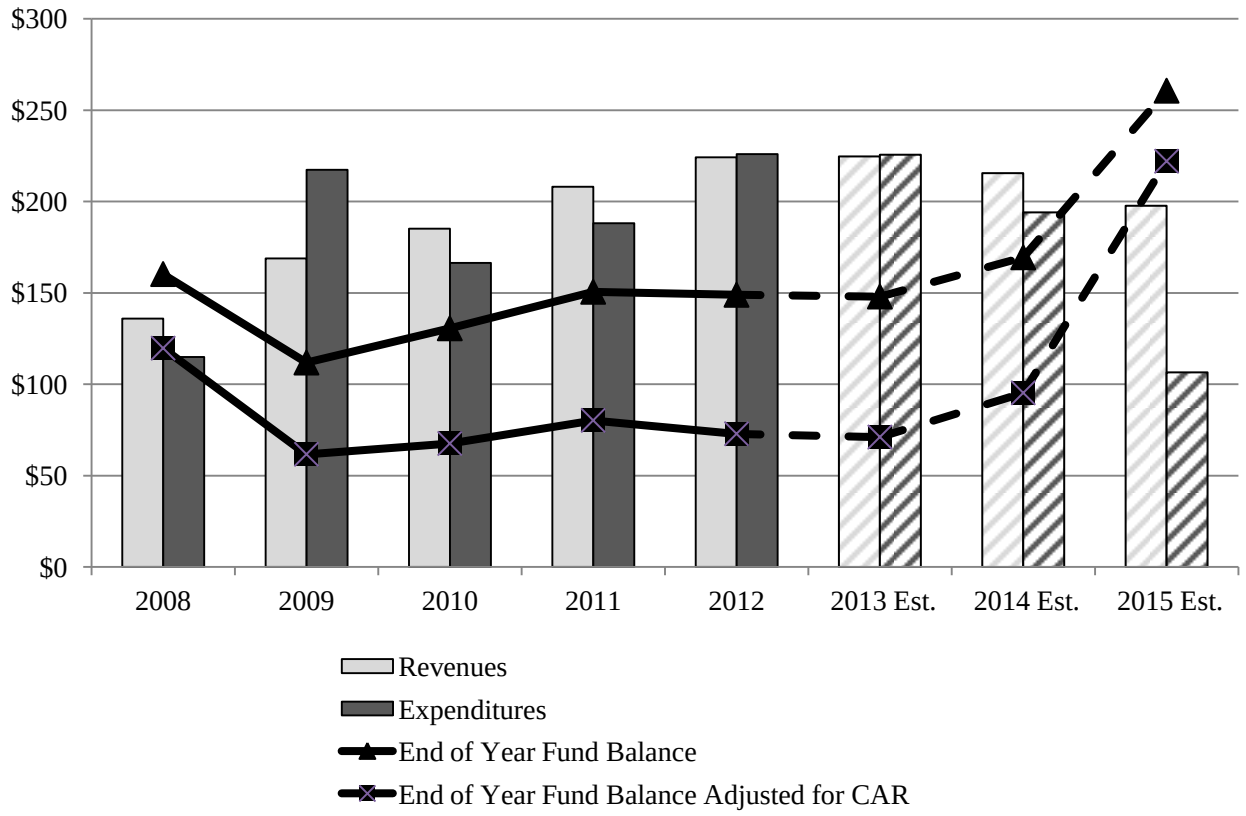
An additional consideration is that the legislation does not outline how SRP would operate, if the State would be operating the federally funded program, or if it would provide additional coverage. MHBE has indicated that current thinking is for the State to provide supplementary coverage. Using the example above, SRP might subsidize an additional 15% of a member's claims cost, or lower the attachment point to $40,000. **MHBE should comment on the preliminary plans for SRP.**

An additional consideration is that the federal reinsurance program will end on December 31, 2016, though the MHPA of 2013 does not set an ending date for SRP. As high-risk members will remain in the insurance pool after that date, it is possible that a State-funded reinsurance program will have to continue beyond 2016. It is unknown how much reinsurance will cost in the near term as a shared State-federal expense or how much it could cost the State starting in January 2017. **MHBE should comment on the plan for determining how much the reinsurance program will cost and if it is expected that SRP will continue after the federal program ends in December 2016.**

MHIP Balance Funds SRP

One thing the MHPA of 2013 does say about SRP is that the MHIP fund balance could be used to finance it. MHIP has carried a large fund balance for several years, funded by member premiums and the 1% hospital assessment. **Exhibit 5** shows that it was valued at $149 million at the close of fiscal 2012. As an insurance plan, MHIP must keep a certain amount of cash on hand to meet a "capital adequacy requirement" (CAR), typically about 35 to 40% of each year's claims. In fiscal 2012, CAR totaled $76 million.

Exhibit 5
MHIP State Revenues, Expenditures, and Fund Balance
Fiscal 2008-2015
($ in Millions)



CAR: capital adequacy requirements
MHIP: Maryland Health Insurance Plan

Note: Fiscal 2009 expenditures include a $75 million transfer to the Health Care Coverage Fund.

Source: Maryland Health Insurance Plan; Department of Legislative Services

The exhibit also shows that in fiscal 2015, the value of MHIP's fund balance will begin to grow rapidly. This is because MHIP's membership (and its associated medical claims expenditures) will decline by as much as half or more by the end of fiscal 2015, but the collection of the hospital assessment will continue. It is estimated to generate $129 million in fiscal 2014. By the end of fiscal 2015, DLS estimates the MHIP fund balance will be valued $261 million, with a CAR of only $38 million.

Though the MHIP fund balance will grow rapidly as enrollment declines, it is unknown whether the balance and the accruing hospital assessment revenue will be enough to cover the State share of reinsurance in fiscal 2015 and 2016, or all SRP costs in fiscal 2017 and beyond. It is also unknown what other funding sources will be available if the MHIP fund balance and assessment revenue is not enough.

It is possible that SRP will cost significantly less than the MHIP fund balance and the annual revenues of the hospital assessment. In that case, the hospital assessment could be used in other ways to reduce uncompensated care or lowered to a more appropriate level.

It should be noted that the State may be required to obtain federal approval for using the MHIP assessment in this manner. Funds generated through the hospital assessment must be spent on reducing uncompensated care, and federal approval was required before it was used to cover costs in the MHIP program. **MHBE should comment on obtaining federal approval for using funds generated through the hospital assessment for SRP.**

Many Things Must Be Decided

Though the MHPA of 2013 would clarify and push forward the State's healthcare reform efforts, there are still many unknowns, particularly pertaining to transitioning MHIP members to MHBE, SRP, and the use of MHIP's fund balance. Below are some policy considerations that do not appear to have answers at this time but will have to be decided before the State can fully implement the ACA and the State's health benefits exchanges.

- How will MHIP members transition into MHBE?

- How will SRP be structured? Will it run the federal reinsurance program (if possible, as the federal program will begin in January 2014), or provide supplementary reinsurance?

- Will SRP continue beyond December 2016?

- How much will SRP cost from January 2014 to January 2016? How much of that cost will be borne by the State in fiscal 2015 and 2016, and, if it continues, how much will it cost the State in fiscal 2017 and beyond?

- Will the MHIP fund balance and hospital assessment be enough to fund SRP, and what other sources of funding are available if it is not enough?

- Conversely, if SRP costs are much less than the MHIP fund balance and hospital assessment, what should be done with the hospital assessment revenue, or the assessment itself?

- Should the administration of MHIP and SPDAP be moved to MHBE, as the MOU between the two agencies already gives the exchange oversight authority?

Recommended Actions

1. Adopt the following narrative:

   Report on Transition of Members to the Maryland Health Benefit Exchange: On January 1, 2014, members of the Maryland Health Insurance Plan (MHIP) will be able to find coverage in a new health benefit exchange, where people cannot be denied coverage for preexisting conditions. MHIP has indicated that about one-third of current members will transition on the first day, and remaining members will not be able to reenroll in MHIP if they drop coverage after that date. Instead, they will have to seek coverage in the Maryland Health Benefit Exchange (MHBE). However, a significant number of people may still be enrolled in MHIP when it ends coverage. MHIP and MHBE should submit a report outlining how members will transition from MHIP into the exchange, including how MHIP enrollees will be made aware of the change, assistance that will be available for them, and if any funding will be required.

Information Request	**Authors**	**Due Date**
Plans for transitioning members from MHIP to MHBE	MHIP MHBE	October 1, 2013

2. Adopt the following narrative:

   Report on the State Reinsurance Program: The Maryland Health Progress Act (MHPA) of 2013 continues the State's reform of health care and implementation of the federal Patient Protection and Affordable Care Act. However, there are still many issues left to be decided, including the State Reinsurance Program (SRP). The legislation does not outline how it will operate other than state that funding from the Maryland Health Insurance Plan (MHIP) fund balance and its hospital assessment revenue may be used to support it. Reinsurance is intended to reduce premium costs by providing subsidies for high-cost individuals, though it is unknown how much SRP will cost or how it will be structured. MHIP and the Maryland Health Benefit Exchange (MHBE) should submit a report on plans for SRP as it develops. In addition to a general outline of how SRP will operate, the report should discuss:

   - how it will interact with the federal reinsurance program lasting from January 2014 to January 2016;
   - if SRP will need to continue past 2016;
   - how much reinsurance is expected to cost; and
   - where funding will come from if the MHIP fund balance and hospital assessment revenue are not sufficient.

Information Request	Authors	Due Date
Report on the State Reinsurance Program	MHBE MHIP	December 1, 2013

Updates

1. SPDAP Fund Balance

SPDAP carries a fund balance that consists of unspent funds appropriated from contributions from a portion of the value of CareFirst's premium tax exemption. **Exhibit 6** shows that the program's revenues were higher than expenses in fiscal 2010 to 2012. In fiscal 2012 for example, SPDAP's revenue totaled $18.2 million, while expenses were $17.1 million.

Exhibit 6
SPDAP Account Fund Balance
Fiscal 2010-2015
($ in Thousands)

	2010	2011	2012	2013 Est.	2014 Est.	2015 Est.
Opening Balance	**$17,473**	**$8,821**	**$9,809**	**$9,443**	**$864**	**$823**
Income	18,546	18,323	18,243	18,225	18,225	18,225
Actual/Budgeted Expenditures	-11,698	-15,835	-17,109	-17,304	-18,266	-19,366
Transfers to Other Programs	-15,500	-1,500	-1,500	-9,500		
Fund Balance (After Transfers)	**$8,821**	**$9,809**	**$9,443**	**$864**	**$823**	**-$318**

SPDAP: Senior Prescription Drug Assistance Program

Note: A total of $200,000 interest income is assumed in fiscal 2013 and 2014.

Source: Maryland Health Insurance Plan; Department of Legislative Services

The Budget Reconciliation and Financing Acts of 2009 to 2012 have transferred a total of $31 million from the SPDAP fund balance to other programs, most notably the Kidney Disease Program. As a result of these transfers, SPDAP's projections have the plan running out of money in fiscal 2015 if the current benefit structure remains the same. However, SPDAP tends to have conservative cost estimates to ensure that all possible subsidies will be covered. Actual claims paid tend to be significantly lower than what is projected, and that trend is likely to continue in fiscal 2013 to 2015.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
Maryland Health Insurance Plan
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2012					
Legislative Appropriation	$0	$143,625	$22,584	$10,000	$176,209
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	9	0	0	9
Reversions and Cancellations	0	-10,579	-7,585	-10,000	-28,163
Actual Expenditures	**$0**	**$133,055**	**$14,999**	**$0**	**$148,054**
Fiscal 2013					
Legislative Appropriation	$0	$168,872	$34,748	$10,000	$213,621
Budget Amendments	0	9	3	0	12
Working Appropriation	**$0**	**$168,882**	**$34,751**	**$10,000**	**$213,633**

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

The only adjustment to the legislative appropriation was a $8,877 special fund budget amendment representing the agency's share of a one-time $750 State employee bonus.

At the end of the fiscal year, a total of $28.2 million of the appropriation remained unspent. Of the $10.6 million in special funds, $8.2 million was the result of lower than expected claims payouts in MHIP, and $2.2 million was from MHIP administration fees due to the elimination of a disease management program that had previously been supported with those fees. The remaining $0.2 million is from the elimination of 2 contractual positions that had been budgeted within SPDAP. Both contractual employees were hired into regular positions early in the fiscal year.

The federal fund cancellation of $7.6 million was due to lower than budgeted enrollment in the MHIP Federal program. Claims payments were $5.9 million below the budgeted amount, and administration fees were lower by $1.7 million. This amount was offset somewhat with higher than budgeted funding for marketing the MHIP Federal program.

Finally, the total reimbursable fund appropriation of $10 million was cancelled. That funding was appropriated in anticipation of receiving federal approval to allow spending in MHIP to be eligible for the federal Medicaid match. However, the federal government never approved that spending as eligible for the match.

Fiscal 2013

The fiscal 2013 appropriation was increased by $9,191 in special funds and $2,783 in federal funds to fund a 2.0% cost-of-living adjustment for employees.

Appendix 2

Audit Findings

Audit Period for Last Audit:	January 1, 2008 – June 5, 2011
Issue Date:	April 2012
Number of Findings:	3
Number of Repeat Findings:	0
% of Repeat Findings:	n/a
Rating: (if applicable)	n/a

Finding 1: The Maryland Health Insurance Plan had not obtained an independent review of its Administrative Service Organization (ASO) claims management system to ensure that the related internal controls were designed and operating effectively.

Finding 2: MHIP did not routinely conduct independent reviews of its ASO to determine if the ASO was operating in compliance with its contract.

Finding 3: MHIP made payments to a vendor totaling approximately $367,000, without documentation of competitive bids being obtained or of the existence of a current written contract.

Object/Fund Difference Report
Maryland Health Insurance Plan

Object/Fund	FY 12 Actual	FY 13 Working Appropriation	FY 14 Allowance	FY 13 - FY 14 Amount Change	Percent Change
Positions					
01 Regular	12.00	12.00	11.00	-1.00	-8.3%
Total Positions	**12.00**	**12.00**	**11.00**	**-1.00**	**-8.3%**
Objects					
01 Salaries and Wages	$ 1,236,618	$ 1,339,013	$ 1,297,060	-$ 41,953	-3.1%
03 Communication	84,734	102,748	55,728	-47,020	-45.8%
04 Travel	16,362	39,460	8,500	-30,960	-78.5%
07 Motor Vehicles	7,839	28,000	5,760	-22,240	-79.4%
08 Contractual Services	248,341,254	335,355,189	288,569,447	-46,785,742	-14.0%
09 Supplies and Materials	181,249	173,200	51,494	-121,706	-70.3%
10 Equipment – Replacement	8,264	12,300	2,000	-10,300	-83.7%
11 Equipment – Additional	42,301	20,000	30,000	10,000	50.0%
13 Fixed Charges	77,502	85,842	71,741	-14,101	-16.4%
Total Objects	**$ 249,996,123**	**$ 337,155,752**	**$ 290,091,730**	**-$ 47,064,022**	**-14.0%**
Funds					
03 Special Fund	$ 133,054,972	$ 168,881,536	$ 175,439,018	$ 6,557,482	3.9%
05 Federal Fund	14,999,174	34,750,986	27,083,612	-7,667,374	-22.1%
07 Nonbudgeted Fund	101,941,977	123,523,230	87,569,100	-35,954,130	-29.1%
09 Reimbursable Fund	0	10,000,000	0	-10,000,000	-100.0%
Total Funds	**$ 249,996,123**	**$ 337,155,752**	**$ 290,091,730**	**-$ 47,064,022**	**-14.0%**

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

Fiscal Summary
Maryland Health Insurance Plan

Program/Unit	FY 12 Actual	FY 13 Wrk Approp	FY 14 Allowance	Change	FY 13 - FY 14 % Change
01 Maryland Health Insurance Program	$ 232,467,256	$ 318,487,818	$ 271,897,267	-$ 46,590,551	-14.6%
02 Senior Prescription Drug Assistance Program	17,528,867	18,667,934	18,194,463	-473,471	-2.5%
Total Expenditures	**$ 249,996,123**	**$ 337,155,752**	**$ 290,091,730**	**-$ 47,064,022**	**-14.0%**
Special Fund	$ 133,054,972	$ 168,881,536	$ 175,439,018	$ 6,557,482	3.9%
Federal Fund	14,999,174	34,750,986	27,083,612	-7,667,374	-22.1%
Nonbudgeted Fund	101,941,977	123,523,230	87,569,100	-35,954,130	-29.1%
Total Appropriations	**$ 249,996,123**	**$ 327,155,752**	**$ 290,091,730**	**-$ 37,064,022**	**-11.3%**
Reimbursable Fund	$ 0	$ 10,000,000	$ 0	-$ 10,000,000	-100.0%
Total Funds	**$ 249,996,123**	**$ 337,155,752**	**$ 290,091,730**	**-$ 47,064,022**	**-14.0%**

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.