

Report on the Maryland SB0879 and the Feasibility, Design and Funding of The Maryland Infant Lifetime Care Trust

For the Maryland State Senate Finance Committee

Commitment Beyond Numbers



Robert J. Walling III, FCAS, MAAA, CERA
Principal and Consulting Actuary

March 5, 2020

Pinnacle Introduction & Background

- Fellow of the Casualty Actuarial Society (FCAS)
- Member of the American Academy of Actuaries (MAAA)
- Former member of the CAS Board of Directors

Pinnacle Actuarial Resources has served:

- ✓ **New York** Medical Indemnity Fund since before it was enacted in October of 2011
- ✓ **Florida** Birth-Related Neurological Injury Compensation Association (NICA) since 2008
- ✓ **Virginia** Birth-Related Neurological Injury Compensation Program in various capacities since 2003
- ✓ Patient compensation funds in **New Mexico** and **Wisconsin** since 2002 and 2007, respectively.



Robert J. Walling III
Principal and Consulting Actuary
Pinnacle Actuarial Resources, Inc.

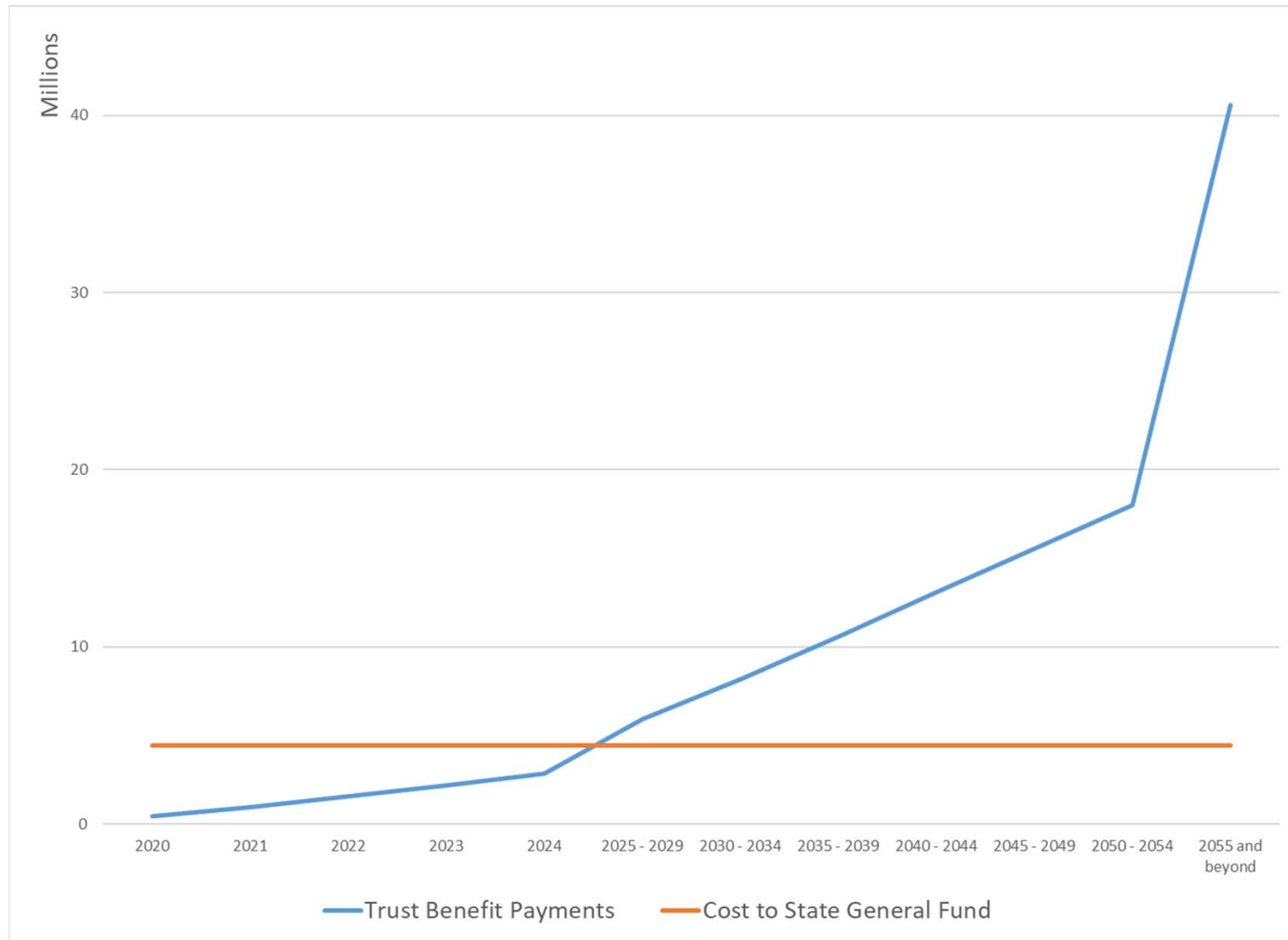
Key Findings: Expected Cost of the Trust

- Maryland can expect between 0.9 and 1.0 claims per 10,000 live births, or a total of about 6.8 qualifying births annually.
- Present value of lifetime benefits in Maryland as currently proposed would be between \$2.87 million and \$3.27 million per claim.
- **Total expected costs for the Infant Lifetime Care Trust under the current bill are therefore \$22.5 million:**
 - Accrued annual benefits costs of \$18.4 - 23.2 million
 - Overall operational expenses estimated at \$750,000 annually
 - \$1.0 million per year as a grant designated for improving maternal and fetal outcomes in the state

Key Findings: Funding the Trust

- The Trust is funded on accrual basis by an estimated \$22.5 million HSCRC assessment on hospital rates, based on an annual actuarial report evaluating projected liabilities.
- The total cost of the Maryland Infant Lifetime Care would be only 0.14% of total hospital revenue (or 2.6% of OB revenue).
- The Trust will generate significant savings for Maryland's overall healthcare system over time.

Impact on Medicaid



Conclusion

- Bill SB0879 provides a reasonable, appropriate and actuarially sound approach to funding the Trust on an accrual basis.
- State General Fund Medicaid will be minimally impacted in early years and ultimately accrue savings in the long term.
- Trust benefits will be paid as incurred, not estimated as part of a one-time lump sum.
- Guaranteed lifetime care will be provided to families once enrolled in the Trust.

Thank You for Your Attention

Robert J. Walling III, FCAS, MAAA, CERA

309-807-2320

rwalling@pinnacleactuaries.com



Appendices

Projected Annual Impact to Medicaid

<u>Rate Center</u>	<u>Center Code</u>	<u>Hospital Count</u>	<u>Average Rate</u>	<u>Statewide Volume</u>	<u>Expected Total Charges</u>
(1)	(2)	(3)	(4)	(5)	(6)
Obstetrics Acute	OBS	32	1,221.73	168,211	205,508,430
Neonatal ICU	NEO	16	1,729.50	111,254	192,414,355
Newborn Nursery	NUR	32	723.11	150,694	108,967,914
Premature Nursery	PRE	1	1,239.48	1,129	1,399,894
Labor & Delivery Services	DEL	32	124.59	3,510,572	437,382,133
					945,672,726
	(7)	Total Infant Care Trust Annual Cost			22,480,482
	(8)	Markup for underpayment (estimated)			1.10
	(9)	Hospital Rate Revenue Increase Required			24,728,530
	(10)	Percentage of Charges to Medicaid			45%
	(11)	Incremental Medicaid Charges			11,127,839
	(12)	% of Federal Match			40%
	(13)	Annual Program Cost to State General Fund			4,451,135
	(14)	Rate Increase to Obstetrics Services			2.6%

Footnotes

(1) - (5) Rate Center data from HSCRC FY 2020 rates (obtained from https://hscrc.state.md.us/Pages/hsp_rates2.aspx)

(6) = (4) x (5)

(7) = Exhibit 1, Item 4

(8), (10), (12) Estimates based on publicly available HSCRC data

(9) = (7) x (8)

(11) = (9) x (10)

(13) = (11) x (12)

(14) = (9) / (6) Total

Payment Streams for Participants Born in 2020

<u>Trust Payments</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 - 2029</u>	<u>2030 - 2034</u>	<u>2035 - 2039</u>	<u>2040 - 2044</u>	<u>2045 - 2049</u>	<u>2050 - 2054</u>	<u>2055 and beyond</u>
(1) Estimated Trust Benefits	434,549	541,107	573,237	646,979	657,131	3,063,312	2,238,120	2,434,176	2,475,977	2,476,057	2,478,473	22,523,863
<u>Medicaid Cost</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 - 2029</u>	<u>2030 - 2034</u>	<u>2035 - 2039</u>	<u>2040 - 2044</u>	<u>2045 - 2049</u>	<u>2050 - 2054</u>	<u>2055 and beyond</u>
(2) Program Cost to State General Fund	4,451,135											
<u>Net Benefit Position</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 - 2029</u>	<u>2030 - 2034</u>	<u>2035 - 2039</u>	<u>2040 - 2044</u>	<u>2045 - 2049</u>	<u>2050 - 2054</u>	<u>2055 and beyond</u>
(3) Projected Benefit to Medicaid	-4,016,586	-3,475,479	-2,902,241	-2,255,262	-1,598,131	1,465,181	3,703,301	6,137,477	8,613,453	11,089,510	13,567,983	36,091,846

Footnotes

- (1) Based on Trust analysis central estimate on a nominal basis for expected 6.8 participants born in 2020
Assumes approximately 60% of future payments would otherwise be covered by Medicaid
Payment pattern estimated from Virginia program
- (2) Projected Cost to Medicaid estimated on Exhibit 3, Page 1
- (3) = (1) - (2)

Payment Streams for Multiple Birth Years

<u>Trust Payments</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 - 2029</u>	<u>2030 - 2034</u>	<u>2035 - 2039</u>	<u>2040 - 2044</u>	<u>2045 - 2049</u>	<u>2050 - 2054</u>	<u>2055 and beyond</u>
(1) Estimated Trust Benefits												
Year 1	434,549	541,107	573,237	646,979	657,131	3,063,312	2,238,120	2,434,176	2,475,977	2,476,057	2,478,473	22,523,863
Year 2		434,549	541,107	573,237	646,979	3,158,379	2,354,607	2,387,697	2,478,368	2,467,772	2,476,005	23,024,281
Year 3			434,549	541,107	573,237	3,209,723	2,514,199	2,332,268	2,472,233	2,467,560	2,474,557	23,523,546
Year 4				434,549	541,107	3,170,593	2,694,969	2,262,659	2,475,453	2,468,556	2,476,878	24,018,217
Year 5					434,549	3,088,279	2,877,033	2,220,352	2,461,499	2,473,768	2,476,436	24,511,065
<u>Medicaid Cost</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 - 2029</u>	<u>2030 - 2034</u>	<u>2035 - 2039</u>	<u>2040 - 2044</u>	<u>2045 - 2049</u>	<u>2050 - 2054</u>	<u>2055 and beyond</u>
(2) Program Cost to State												
General Fund	4,451,135	4,451,135	4,451,135	4,451,135	4,451,135							
<u>Net Benefit Position</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 - 2029</u>	<u>2030 - 2034</u>	<u>2035 - 2039</u>	<u>2040 - 2044</u>	<u>2045 - 2049</u>	<u>2050 - 2054</u>	<u>2055 and beyond</u>
(3) Projected Benefit to Medicaid	-4,016,586	-7,492,065	-10,394,306	-12,649,568	-14,247,699	1,442,586	14,121,514	25,758,666	38,122,196	50,475,909	62,858,257	180,459,228

Footnotes

- (1) Based on Trust analysis central estimate on a nominal basis for expected 6.8 participants per birth year
Assumes approximately 60% of future payments would otherwise be covered by Medicaid
Payment pattern estimated from Virginia program
- (2) Projected Cost to Medicaid estimated on Exhibit 3, Page 1
- (3) = (1) - (2)