

**D79Z02**  
**Maryland Health Insurance Plan**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 14</u></b> <b><u>Actual</u></b>	<b><u>FY 15</u></b> <b><u>Working</u></b>	<b><u>FY 16</u></b> <b><u>Allowance</u></b>	<b><u>FY 15-16</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
Special Fund	\$155,092	\$97,237	\$19,890	-\$77,347	-79.5%
Contingent & Back of Bill Reductions	0	0	-18	-18	
<b>Adjusted Special Fund</b>	<b>\$155,092</b>	<b>\$97,237</b>	<b>\$19,872</b>	<b>-\$77,365</b>	<b>-79.6%</b>
Federal Fund	16,520	130	79	-51	-39.4%
Contingent & Back of Bill Reductions	0	0	-1	-1	
<b>Adjusted Federal Fund</b>	<b>\$16,520</b>	<b>\$130</b>	<b>\$78</b>	<b>-\$52</b>	<b>-40.2%</b>
Nonbudgeted Fund	86,651	49,578	0	-49,578	-100.0%
<b>Adjusted Nonbudgeted Fund</b>	<b>\$86,651</b>	<b>\$49,578</b>	<b>\$0</b>	<b>-\$49,578</b>	<b>-100.0%</b>
<b>Adjusted Grand Total</b>	<b>\$258,263</b>	<b>\$146,944</b>	<b>\$19,950</b>	<b>-\$126,995</b>	<b>-86.4%</b>

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The budget for the Maryland Health Insurance Plan (MHIP) falls by \$127 million (86.4%). This reflects the end of enrollment in MHIP programs at the end of calendar 2014 and a running out of MHIP claims expenditures in early calendar 2015.

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

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## ***Personnel Data***

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	<b><u>FY 14 Actual</u></b>	<b><u>FY 15 Working</u></b>	<b><u>FY 16 Allowance</u></b>	<b><u>FY 15-16 Change</u></b>
Regular Positions	9.00	9.00	8.00	-1.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>9.00</b>	<b>9.00</b>	<b>8.00</b>	<b>-1.00</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 1/1/15	2.00	22.22%

- The fiscal 2016 allowance includes 8 positions and reflects the elimination of 1 position.

## ***Analysis in Brief***

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### **Major Trends**

***Senior Prescription Drug Assistance Program Coverage:*** Enrollment growth in the Senior Prescription Drug Assistance Program continues but slows. Enrollment at the end of fiscal 2014 was 27,726, an increase of 1.3% over the most recent actual.

### **Issues**

***Maryland Health Insurance Plan Fund Balance:*** The plan's fund balance is sufficient to allow for additional balance transfers.

### **Recommended Actions**

1. Concur with Governor's allowance.

**D79Z02**  
**Maryland Health Insurance Plan**

***Operating Budget Analysis***

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**Program Description**

The Health Insurance Safety Net Program includes the Maryland Health Insurance Program (MHIP) and the Senior Prescription Drug Assistance Program (SPDAP). MHIP is the State's insurer of last resort for medically uninsurable individuals. Under the Affordable Care Act (ACA), this population can buy private health insurance due to elimination of preexisting condition limitations, while others may also qualify for expanded Medicaid coverage. Chapter 159 of 2013 closed MHIP to new enrollment as of December 31, 2013, and required that MHIP coverage end no later than January 1, 2020.

The MHIP board, in consultation with the Maryland Health Benefit Exchange (MHBE), phased out MHIP enrollment over two years to reduce the impact of enrollees transitioning to the private market. MHIP federal, the federal high-risk pool created by the ACA, terminated on April 30, 2014. The MHIP+ plan, which provided discounted premiums to individuals with incomes below 300% of the federal poverty level, ended March 31, 2014. The board extended the MHIP standard plan by six months to December 31, 2014; while enrollment in that plan has ended, MHIP is still running out related claims expenditures in early calendar 2015.

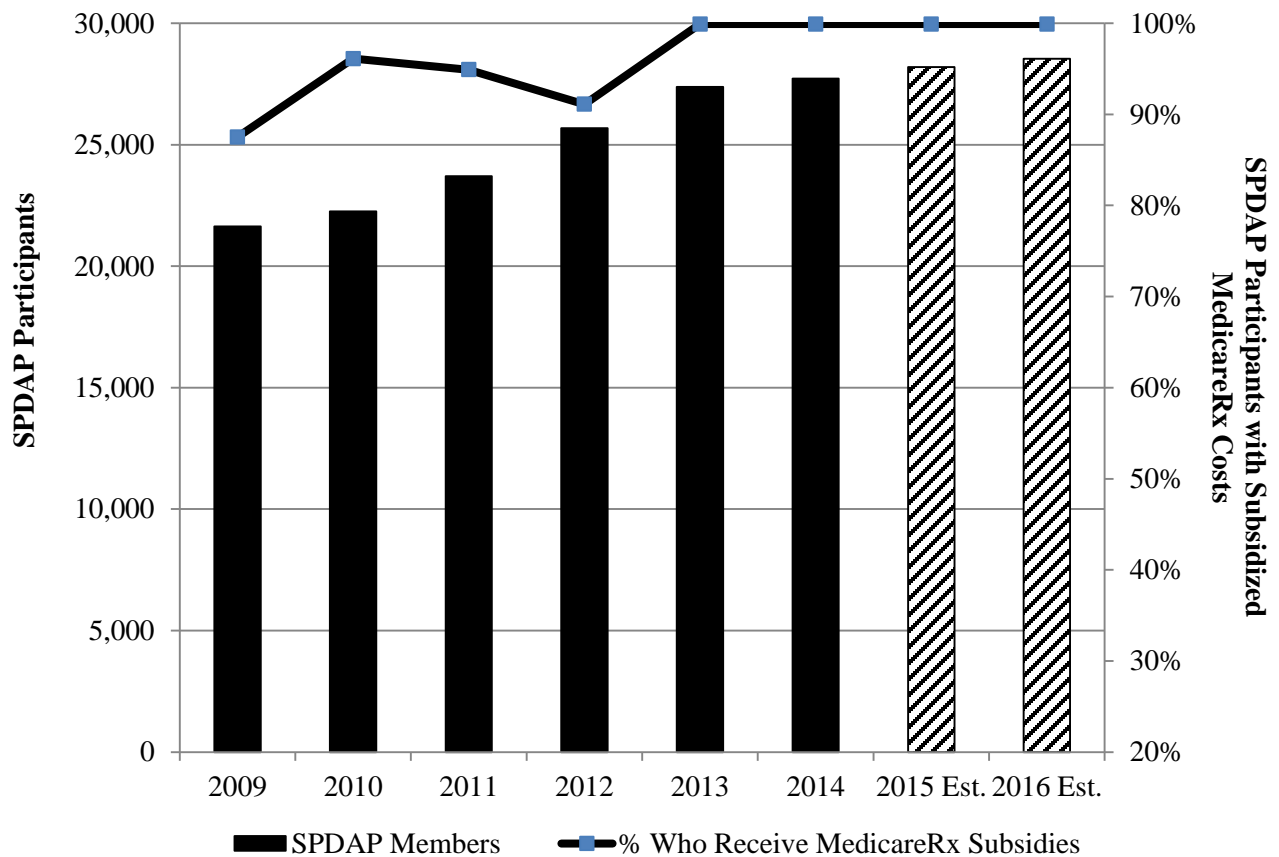
SPDAP provides Medicare Part D premium and coverage gap assistance for the purchase of outpatient prescription drugs for moderate-income (at or below 300% of the federal poverty level) Maryland residents who are eligible for Medicare and are enrolled in a Medicare Part D Prescription Drug Plan. SPDAP receives special funds from a portion of the value of CareFirst's premium tax exemption and \$4 million, also from CareFirst, for the coverage gap subsidy when CareFirst's surplus reaches certain statutory levels.

**Performance Analysis: Managing for Results**

**1. Senior Prescription Drug Assistance Program Coverage**

SPDAP aims to reduce the cost of prescription drugs for Maryland's seniors. **Exhibit 1** shows the number of participants in the plan and the number of those who have MedicareRx costs subsidized by the plan. Enrollment in SPDAP has grown steadily since fiscal 2009 and continued to grow in fiscal 2014, though at a slower rate. Enrollment at the end of fiscal 2014 was 27,726, an increase of 1.3%. (Growth between fiscal 2012 and 2013 was 6.6%.) The percent of members who receive MedicareRx subsidies, which fell to 91.1% in fiscal 2012, has been 100.0% since fiscal 2013 and is

**Exhibit 1**  
**SPDAP Participants and Percent Who Receive MedicareRx Subsidies**  
**Fiscal 2009-2016 Est.**



SPDAP: Senior Prescription Drug Assistance Program

Source: Maryland Health Insurance Plan; Department of Legislative Services

estimated to remain at that level in fiscal 2015 and 2016. It should be noted 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.

The agency advises that legislation will be developed and introduced in the 2016 legislative session to transfer oversight of SPDAP to the Medical Care Programs Administration within the Department of Health and Mental Hygiene.

## Proposed Budget

The budget for MHIP falls by \$127 million (86.4%), as shown in **Exhibit 2**. This reflects the end of enrollment in MHIP programs at the end of calendar 2014 and a running out of MHIP claims expenditures in early calendar 2015.

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**Exhibit 2**  
**Proposed Budget**  
**Maryland Health Insurance Plan**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Federal</u> <u>Fund</u></b>	<b><u>Nonbud.</u> <u>Fund</u></b>	<b><u>Total</u></b>
Fiscal 2014 Actual	\$155,092	\$16,520	\$86,651	\$258,263
Fiscal 2015 Working Appropriation	97,237	130	49,578	146,944
Fiscal 2016 Allowance	<u>19,872</u>	<u>78</u>	<u>0</u>	<u>19,950</u>
Fiscal 2015-2016 Amt. Change	-\$77,365	-\$52	-\$49,578	-\$126,995
Fiscal 2015-2016 Percent Change	-79.6%	-40.2%	-100.0%	-86.4%
<b>Where It Goes:</b>				
<b>Personnel Expenses</b>				<b>-\$36</b>
Employee and retiree health insurance .....				\$51
Increments and general salary annualization (prior to cost containment) ....				20
Other fringe benefit adjustments .....				-5
Section 20: 2% salary reduction .....				-19
Abolished positions .....				-84
<b>Other Changes</b>				
<b>Maryland Health Insurance Plan</b>				<b>-\$125,817</b>
Other .....				-231
Fiscal services.....				-5,093
Service expenditures.....				-120,493
<b>Senior Prescription Drug Assistance Plan</b>				<b>-\$1,142</b>
Other .....				36
Fiscal services.....				-147
Service expenditures.....				-1,031
<b>Total</b>				<b>-\$126,995</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

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## **Cost Containment**

The Administration has implemented several across-the-board reductions, including an elimination of employee increments and a 2% salary reduction. The agency's share of the 2% salary reduction is \$19,000. However, primarily because MHIP's remaining positions were already at high steps, the agency was not budgeted for employee increments and, therefore, does not share in that reduction.

## **Personnel Expenditures**

Personnel costs are anticipated to decline by \$36,000. Most of this relates to the elimination of 1 position (\$84,000), which is offset by increases in employee and retiree health insurance (\$51,000).

## **MHIP**

As noted above, the drop in funding for MHIP (\$125.8 million) reflects the discontinuation of plan coverage at the end of calendar 2014 and the running out of plan expenditures in calendar 2015. The plan's fund balance and proposed transfers are discussed in the Issues section of this document.

## **SDPAP**

As shown in Exhibit 2, costs for SPDAP are anticipated to decrease slightly in fiscal 2016 (\$1.1 million), due to relatively flat enrollment and the fact that SPDAP costs were slightly overbudgeted in fiscal 2015. Based on the most recent projections assuming premium subsidies of \$40 per month and the gap subsidy covering all prescription drug costs in the coverage gap after the federal discount, any supplemental coverage, and a 5% co-pay is applied, the SPDAP fund projects a surplus through fiscal 2018 (see **Exhibit 3**).

**Exhibit 3**  
**SPDAP Fund Data**  
**Fiscal 2012-2018 Est.**  
**(\$ in Thousands)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Working</u> <u>2015</u>	<u>Allow.</u> <u>2016</u>	<u>Est.</u> <u>2017</u>	<u>Est.</u> <u>2018</u>
<b>Opening Balance</b>	<b>\$9,559</b>	<b>\$9,333</b>	<b>\$3,240</b>	<b>\$2,803</b>	<b>\$4,055</b>	<b>\$5,721</b>	<b>\$7,173</b>
Income	18,250	18,226	18,148	18,125	18,125	18,125	18,125
Actual/Projected Expenditures	-16,905	-15,616	-17,585	-16,873	-16,460	-16,673	-16,826
Transfers to Other Programs	-1,571	-8,703	-1,000				
<b>Fund Balance (After Transfers)</b>	<b>\$9,333</b>	<b>\$3,240</b>	<b>\$2,803</b>	<b>\$4,055</b>	<b>\$5,721</b>	<b>\$7,173</b>	<b>\$8,471</b>
<b>Income/Expenditures Difference</b>	<b>\$1,345</b>	<b>\$2,610</b>	<b>\$563</b>	<b>\$1,252</b>	<b>\$1,665</b>	<b>\$1,452</b>	<b>\$1,299</b>

SPDAP: Senior Prescription Drug Assistance Program

Note: Assumes program sunset will be extended to December 31, 2018.

Source: Maryland Health Insurance Plan; Department of Legislative Services

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## ***Issues***

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### **1. Maryland Health Insurance Plan Fund Balance**

Revenues in the MHIP fund are derived from a hospital assessment (until recently 1.0% and reduced to 0.3% in Chapter 464 of 2014). The assessment is paid by all-payers (under the State's unique all-payer hospital rate-paying system) including the federal government (through Medicaid and Medicare). When the assessment was first proposed to support the State's high-risk pool, the federal government agreed to it because it was designed to reduce the extent of uninsured. Over the years, the revenues generated by the assessment have tended to exceed the need for those revenues allowing a significant fund balance to accrue. The State has previously used the MHIP fund balance other than for the program as seed funding for the State's expansion of Medicaid to parents of Medicaid children in fiscal 2009, again with the rationale that this funding supported a reduction in the extent of uninsured individuals. Legislation in recent years has expanded the use of the MHIP fund to include supporting reinsurance and premium subsidies through MHBE. To date, no State funding has been used for that purpose, and the exchange has yet to provide any details on a possible reinsurance program beyond the 2015 and 2016 plan years, for which federal funds are available.

The Budget Reconciliation and Financing Act (BRFA) of 2015 includes a proposed \$45 million fund balance transfer from the MHIP fund to Medicaid in fiscal 2015 to cover anticipated deficiencies. Given that it is unclear if the federal government would support the use of the MHIP fund balance for this purpose, the intent is that the MHIP funding involved is limited to that which would have been paid through the assessment by nonfederal (*i.e.*, commercial and other private) payers although the MHIP account does not specifically delineate these contributions in this way.

Based on the latest year-end fund balance estimate, the proposed transfer still leaves the MHIP fund with a fund balance estimated at \$133 million at the end of fiscal 2015. As noted above, the exchange has yet to develop a State reinsurance program to replace the federal reinsurance program, which is available for benefit years 2014 through 2016, but estimated costs are \$30 million to \$40 million per year. No payment is anticipated until perhaps fiscal 2017.

Even assuming a \$40.0 million reinsurance payment, the State share of the MHIP fund balance is sufficient to allow an additional fund balance transfer beyond the \$45.0 million by up to \$10.0 million. Accordingly, the operating budget analysis for the Medical Care Programs Administration contains a recommendation that the fund balance transfer be increased by \$8.0 million as part of a broader recommendation to strike the BRFA provision requiring the Health Services Cost Review Commission to adjust rates related to uncompensated care in fiscal 2015.

Furthermore, the Department of Legislative Services has recommended a BRFA provision to eliminate the assessment on hospital rates dedicated to MHIP and other authorized activities effective July 1, 2016.



## ***Recommended Actions***

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1. Concur with Governor's allowance.

## ***Current and Prior Year Budgets***

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2014</b>					
Legislative Appropriation	\$0	\$175,438	\$27,083	\$0	\$202,521
Deficiency Appropriation	0	-17	-7	0	-24
Budget Amendments	0	20	5	0	25
Reversions and Cancellations	0	-20,349	-10,561	0	-30,910
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$155,092</b>	<b>\$16,520</b>	<b>\$0</b>	<b>\$171,612</b>
<b>Fiscal 2015</b>					
Legislative Appropriation	\$0	\$97,227	\$129	\$0	\$97,357
Cost Containment	0	0	0	0	0
Budget Amendments	0	9	1	0	10
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$97,237</b>	<b>\$130</b>	<b>\$0</b>	<b>\$97,367</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2014 and 2015 data do not include nonbudgeted funds. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

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## **Fiscal 2014**

The fiscal 2014 legislative appropriation for MHIP was reduced by \$30.9 million. MHIP spending increased by \$25,000 (\$20,000 in special funds and \$5,000 in federal funds) to reflect the fiscal 2014 cost-of-living adjustment (COLA) and increments approved during the 2013 session but not included in the fiscal 2014 allowance. However, statewide negative deficiencies reduced MHIP spending on employee and retiree health insurance and retirement reinvestment by \$17,000 in special funds and \$7,000 in federal funds.

Cancellations totaled over \$30.9 million (\$20.3 million in special funds and \$10.6 million in federal funds) due to overestimates of program spending in the various MHIP programs.

## **Fiscal 2015**

To date, the fiscal 2015 legislative appropriation for MHIP has been increased by \$10,000 (\$9,000 in special funds and \$1,000 in federal funds), all of which relates to the fiscal 2015 COLA and increments approved during the 2014 session but not included in the fiscal 2015 allowance.

**Object/Fund Difference Report  
Maryland Health Insurance Plan**

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	9.00	9.00	8.00	-1.00	-11.1%
<b>Total Positions</b>	<b>9.00</b>	<b>9.00</b>	<b>8.00</b>	<b>-1.00</b>	<b>-11.1%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 957,812	\$ 1,121,217	\$ 1,104,248	-\$ 16,969	-1.5%
03 Communication	195,515	82,777	107,594	24,817	30.0%
04 Travel	17,163	19,000	13,000	-6,000	-31.6%
07 Motor Vehicles	6,380	6,000	6,000	0	0%
08 Contractual Services	256,964,109	145,583,708	18,604,894	-126,978,814	-87.2%
09 Supplies and Materials	52,346	56,000	50,001	-5,999	-10.7%
10 Equipment – Replacement	0	1,000	0	-1,000	-100.0%
11 Equipment – Additional	0	3,000	3,000	0	0%
13 Fixed Charges	69,406	71,753	79,767	8,014	11.2%
<b>Total Objects</b>	<b>\$ 258,262,731</b>	<b>\$ 146,944,455</b>	<b>\$ 19,968,504</b>	<b>-\$ 126,975,951</b>	<b>-86.4%</b>
<b>Funds</b>					
03 Special Fund	\$ 155,092,245	\$ 97,236,662	\$ 19,889,850	-\$ 77,346,812	-79.5%
05 Federal Fund	16,519,829	129,893	78,654	-51,239	-39.4%
07 Nonbudgeted Fund	86,650,657	49,577,900	0	-49,577,900	-100.0%
<b>Total Funds</b>	<b>\$ 258,262,731</b>	<b>\$ 146,944,455</b>	<b>\$ 19,968,504</b>	<b>-\$ 126,975,951</b>	<b>-86.4%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions

**Fiscal Summary**  
**Maryland Health Insurance Plan**

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
01 Maryland Health Insurance Program	\$ 240,491,708	\$ 127,711,392	\$ 1,895,021	-\$ 125,816,371	-98.5%
02 Senior Prescription Drug Assistance Program	17,771,023	19,233,063	18,073,483	-1,159,580	-6.0%
<b>Total Expenditures</b>	<b>\$ 258,262,731</b>	<b>\$ 146,944,455</b>	<b>\$ 19,968,504</b>	<b>-\$ 126,975,951</b>	<b>-86.4%</b>
Special Fund	\$ 155,092,245	\$ 97,236,662	\$ 19,889,850	-\$ 77,346,812	-79.5%
Federal Fund	16,519,829	129,893	78,654	-51,239	-39.4%
Nonbudgeted Fund	86,650,657	49,577,900	0	-49,577,900	-100.0%
<b>Total Appropriations</b>	<b>\$ 258,262,731</b>	<b>\$ 146,944,455</b>	<b>\$ 19,968,504</b>	<b>-\$ 126,975,951</b>	<b>-86.4%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions