

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 803

(Delegate Hurson, *et al.*)

Health and Government Operations

Finance

Maryland Health Insurance Plan and Senior Prescription Drug Program -
Modifications and Clarifications

This emergency bill makes revisions to the Maryland Health Insurance Plan (MHIP) and the Senior Prescription Drug Program.

Fiscal Summary

State Effect: Any change in State activities would not materially affect State finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill repeals the provision requiring the Health Services Cost Review Commission (HSCRC) to determine and collect funds necessary to operate and administer MHIP. Instead, HSCRC only must calculate the amount of funds necessary. The bill clarifies that the MHIP board must collect an assessment made against hospitals in order to operate and administer MHIP.

The bill permits the MHIP board to allow the fund administrator to collect premiums from both MHIP and Senior Prescription Drug Program enrollees, deposit premiums in a separate account, titled in the name of the State of Maryland, and pay claims for the enrollees from the account. If monthly premiums collected by the administrator exceed

monthly claims, the administrator must deposit the remaining balance, including interest, for that month into the MHIP fund by the fifteenth of the following month.

The bill clarifies that the amount CareFirst must deposit in the fund for the Senior Prescription Drug Program may not exceed the value of its premium tax exemption for the previous calendar year.

The bill permits the board, if it determines that a standard risk rate would create market dislocation, to adjust the premium rate based on member age. Currently, the premium rate may vary only on the basis of family composition.

Current Law: MHIP is an independent unit of the Maryland Insurance Administration (MIA) whose purpose is to decrease uncompensated care costs by providing access to affordable, comprehensive health benefits for medically-uninsurable residents by July 1, 2003.

The Senior Prescription Drug Program provides Medicare beneficiaries who lack prescription drug coverage with access to affordable, medically necessary prescription drugs until such time as an outpatient prescription drug benefit is provided through the federal Medicare program. The program must be administered by a nonprofit health service plan that issues comprehensive health care benefits in Maryland. An enrollee is subject to a \$10 monthly premium, no deductible, and copayments ranging from \$10 to \$35 per prescription. A prescription drug formulary must be used in the program. The MHIP board may limit the total annual benefit to \$1,000 per enrollee. CareFirst of Maryland, Inc. administers the program.

Background: Chapter 153 of 2002 established MHIP and the Senior Prescription Drug Program (drug program). On July 1, 2003, MHIP replaces the Substantial, Affordable, and Available Coverage (SAAC) product sold to medically-uninsurable people in the individual market. In exchange for offering a SAAC product, health insurance carriers were given a 4% differential on their hospital rates. Because many carriers discontinued their SAAC products, the General Assembly passed Chapter 153 to implement MHIP, which is a high-risk pool to provide health insurance to medically-uninsurable people. MHIP is authorized to collect premiums from enrollees. People enrolled in risk pools tend to be less healthy and more likely to use health care services, and a risk pool's costs almost always exceed the premiums that can be collected. As a result, premium revenue is generally supplemented with other funds. Some states choose to tax health insurers or health care providers to supplement the enrollees' premiums. Others fund high risk pool losses with general revenues or money from excise taxes on alcohol, cigarettes, and other items. MHIP is permitted to assess hospitals in an amount equal to the value of the

SAAC purchaser differential. In fiscal 2004, this assessment is expected to total \$57 million.

The bill's changes permit the MHIP board to delegate hospital assessment and premium collections to the administrator to facilitate management and administration of health care and drug coverage. The bill also permits MHIP to adjust the premium rate based on member age. Because, under the bill, SAAC members will be moving from an age-banded product to MHIP with no age banding, there would be large premium increases for younger enrollees and moderate premium decreases for older enrollees. The lack of age-banding in MHIP under current law may negatively impact other markets, such as the small group and individual markets. If a market dislocation occurs, the bill allows MHIP to adjust its rates based on age to prevent migration among markets.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Health Services Cost Review Commission, Maryland Health Care Commission), Maryland Insurance Administration, Department of Legislative Services

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