

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 238 (Chair, Health and Government Operations Committee)
 (By Request – Departmental – Insurance Administration, Maryland)
 Health and Government Operations Finance

Maryland Health Insurance Plan - Status, Operation, and Regulation

This departmental bill removes the Maryland Health Insurance Plan from the Maryland Insurance Administration and makes other administrative changes to MHIP.

Fiscal Summary

State Effect: MIA special fund expenditures for FY 2009 could increase by \$48,100 to audit MHIP. MHIP special fund expenditures for FY 2010 could increase by \$201,400 to handle administrative duties currently performed by MIA. Elimination of MIA administrative support for MHIP in FY 2010 and beyond would not result in any savings for MIA as existing positions supporting MHIP also perform current MIA functions. Future years reflect growth in personnel expenses and inflation.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	48,100	261,100	266,300	279,700	293,800
Net Effect	(\$48,100)	(\$261,100)	(\$266,300)	(\$279,700)	(\$293,800)

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

Local Effect: None.

Small Business Effect: MIA has determined that the bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill specifies that MHIP is an independent unit of State government. It removes the Insurance Commissioner from MHIP's board and adds • the Secretary of Health and Mental Hygiene; and • a hospital representative. The bill permits State agency board members to have designees serve on the board.

The bill repeals the MHIP board's current exemption from State personnel and pensions requirements.

MHIP is regulated by the Insurance Commissioner; however, it is not subject to State insurance laws other than those related to • MIA examinations; • provider panels and provider reimbursement; • continuation coverage provisions; • specialist referrals; • prescription drug coverage; • utilization review; • the complaint process for adverse decisions or grievances; • private review agents; • the complaint process for coverage decisions; and • unfair trade practices.

These exclusions from State insurance law do not limit the authority of the Insurance Commissioner to impose authorized penalties on a private review agent conducting utilization review on behalf of MHIP. The Insurance Commissioner may not impose a fine or administrative penalty on MHIP. Instead, if the Insurance Commissioner finds that MHIP has violated specified provisions, the Insurance Commissioner may require MHIP to make restitution to each claimant who has suffered actual economic damages.

The board has to develop a master plan document that sets forth in detail all the terms and conditions of the standard benefit package, including the types of benefits provided, any exclusions, and other specified conditions of coverage. The board must file the master plan with the Insurance Commissioner and provide a copy of the document to a member upon request. The board must develop a certificate of coverage informing members of their rights and obligations under the standard benefit package and provide it to members. The bill specifies requirements the board has to meet to change the standard benefit package, including the effective dates of any changes.

The board must report to specified legislative committees by September 1 of each year on the current standard benefit package and any changes to the package implemented during the previous fiscal year. The bill states that if there is any conflict between a provision in the master plan document and a provision in the certificate of coverage, the provision that is most beneficial to the member will control.

MHIP has to ensure that any entity with which it has contracted complies with the bill when performing services for MHIP that are subject to the bill.

The Insurance Commissioner must provide a copy of an adopted examination report or the results of any review conducted to the board and make recommendations for corrective action.

In fiscal 2009, MIA must provide fiscal and personnel services to MHIP at no charge.

The bill applies to any contract that becomes effective, is entered into, or is modified on or after the bill's effective date.

Current Law: MHIP is an independent unit that operates within MIA. The purpose of MHIP is to decrease uncompensated care costs by providing access to affordable, comprehensive health benefits for medically uninsurable residents. As of November 2007, MHIP had 12,210 members.

There is an MHIP board. The board must submit a plan of operation and any amendment to the Insurance Commissioner for approval. The board must also submit an annual audited financial report to the Insurance Commissioner. Each year, the plan administrator must submit to the Insurance Commissioner an accounting of medical claims incurred, administrative expenses, and premiums collected.

Background: MIA currently has some regulatory oversight of MHIP. The Insurance Commissioner is a member of MHIP's board. MIA believes this makes it difficult for the Insurance Commissioner to fully execute his duties in both roles. According to MIA, this relationship may create a conflict of interest that could be resolved by making MHIP an independent unit of government.

The Governor's proposed fiscal 2009 budget includes \$91.6 million for MHIP. MHIP's fund balance at the end of fiscal 2008 is expected to be \$141.8 million, less a required capital adequacy reserve of \$99.5 million. On July 1, 2008, per Chapter 7 of the 2007 special session, \$75.0 million of this balance will be transferred from the MHIP fund to the Health Care Coverage Fund for the expansion of Medicaid and a Small Employer Health Benefit Plan Premium Subsidy Program.

State Expenditures: MIA special fund expenditures could increase by \$48,142 in fiscal 2009, which accounts for the bill's October 1, 2008 effective date. This estimate reflects the cost of hiring one grade 15 examiner to audit MHIP and train MHIP staff on the requirements of the audit. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	1
Salary and Fringe Benefits	\$43,594
Other Operating Expenses	<u>4,548</u>
Total FY 2009 State Expenditures	\$48,142

Future year expenditures reflect • annualization; • a full salary with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

MHIP special fund expenditures could increase by \$201,388 in fiscal 2010. This estimate reflects the cost of hiring three full-time personnel: a grade 20 budget and procurement officer, a grade 17 human resources specialist, and a grade 12 administrative assistant. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It assumes that MHIP will remain in its current location and not incur rental expenses for office space.

Positions	3
Salaries and Fringe Benefits	\$193,154
Operating Expenses	<u>8,234</u>
Total FY 2010 State Expenditures	\$201,388

Future year expenditures reflect • 4.4% growth in personnel expenses and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: The bill is substantially similar to SB 893 of 2007 and SB 282 of 2006, an MIA departmental bill, as amended by the Senate. SB 893 passed the Senate, but was not acted on by the House Health and Government Operations Committee. SB 282 passed both chambers, but was not enrolled.

Cross File: None.

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

Fiscal Note History: First Reader - January 30, 2008
mcp/ljm Revised - House Third Reader - March 19, 2008
Revised - Enrolled Bill - May 1, 2008

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