

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 1125

(Chair, Finance Committee)(By Request - Departmental -
Health Insurance Plan)

Finance

Health and Government Operations

**Maryland Health Insurance Plan - Administration of National High Risk Pool
Program**

This emergency departmental bill authorizes the Board of Directors for the Maryland Health Insurance Plan (MHIP) to elect for MHIP to administer a national temporary high-risk pool program for the State and enter into any necessary administration agreements if the U.S. Secretary of Health and Human Services establishes such a program to be administered by states. The board may limit enrollment based on the amount of federal funding available to the program and establish a separate benefit package delivery system and premium rate for enrollees according to standards for benefit packages and premium rates established under federal law for the program.

The bill terminates on the earlier of the date that the national high-risk pool program ends or MHIP ends its administration of the national high-risk pool program for the State.

Fiscal Summary

State Effect: Expenditures (both MHIP special funds and federal funds, offset by corresponding federal revenues) increase beginning as early as FY 2010 by an indeterminate amount for MHIP to implement the high-risk pool program. This estimate reflects the costs associated with program administration and claims costs for program participants. MHIP special fund revenues increase due to an increase in premium revenue. In addition, general, special, and federal fund expenditures decrease beginning as early as FY 2010 by an indeterminate amount for programs that currently place individuals in MHIP. Future years reflect the termination of the program in the middle of FY 2014.

Local Effect: Local government expenditures decrease beginning as early as FY 2010 for local governments that currently purchase MHIP coverage for qualifying individuals due to reduced premium costs.

Small Business Effect: MHIP has determined that this bill has a meaningful impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: The State must comply with any maintenance of effort requirement established by federal law in connection with the national high-risk pool program. In addition, MHIP must monitor federal and State legislation relating to the program and notify the Department of Legislative Services of the enactment of legislation ending the national or State program within 10 days.

Current Law/Background: MHIP is an independent unit of State government, the purpose of which is to decrease uncompensated care costs by providing access to affordable, comprehensive health benefits for medically uninsurable residents. Medical eligibility for the program requires that applicants have been denied individual coverage, have been offered coverage that excludes or limits coverage for a medical condition, or have specific health conditions. Members pay a premium based on age, subscriber type, and type of benefit plan. Individuals with incomes below 300% of federal poverty guidelines (FPG) may receive discounted premiums through MHIP+. MHIP has a current enrollment of 17,658 members and has the capacity for a maximum sustainable enrollment of 17,734 members.

On March 23, 2010, President Barack Obama signed the Patient Protection and Affordable Care Act (H.R. 3590) into law. The Act includes provisions requiring the U.S. Secretary of Health and Human Services to establish a temporary national high-risk pool program as a stop-gap measure to make health insurance available to uninsured individuals, prior to the time that overall market reforms take effect in 2014. The Act sets up a temporary program that would provide health coverage and subsidized premiums to U.S. citizens and legal immigrants who have preexisting medical conditions and have been uninsured for at least six months. Premiums for the pool will be established for a standard population and may not vary by a factor of more than four to one due to age. Maximum cost-sharing is limited to the current law Health Savings Account limit (\$5,950 for an individual and \$11,900 for a family in 2010). The Act provides a total of \$5 billion for the temporary national high-risk pool program, to be expended until January 2014.

MHIP advises that the bill is an emergency measure so that program implementation can begin as soon as possible, within 90 days after program requirements are finalized at the federal level.

State Fiscal Effect: Although the Patient Protection and Affordable Care Act includes \$5 billion for the temporary national high-risk pool program to be expended until January 2014 (fiscal 2014), the amount of federal funds that Maryland will receive is unknown at this time and will likely be clarified through regulations issued by the U.S. Secretary of Health and Human Services. Therefore, Legislative Services advises that the amount of federal funding that the State will receive along with the number of individuals who will be covered by the program is unknown. However, MHIP advises that it expects federal funding and premium revenues to cover the costs of program administration and claims costs.

Even so, expenditures (both MHIP special funds and federal funds, offset by corresponding federal revenues) increase beginning as early as fiscal 2010 by an indeterminate amount for MHIP to implement the high-risk pool program. This estimate reflects the costs associated with program administration and claims costs for program participants. Program administration costs include:

- almost \$67,000 to hire one full-time staff accountant to track and report on federal funds provided under the program;
- possible costs associated with audits performed by MHIP's independent auditor; and
- possible costs associated with a change order with CareFirst, MHIP's third-party administrator, to provide administrative services for the new program.

MHIP advises that the amount of these costs is largely dependent on regulations issued by the U.S. Secretary of Health and Human Services for the program. MHIP also advises that it could incur additional costs in excess of those listed above depending on the final terms of the federal health care reform bill and regulations adopted by the U.S. Secretary of Health and Human Services. It is expected that federal funding and premium revenues will cover the costs of program administration and claims costs.

Special fund revenues for MHIP increase beginning as early as fiscal 2010 due to an increase in premium revenue from individuals enrolled in the high-risk pool program administered by MHIP.

In addition to the impact on MHIP, general, special, and federal fund expenditures for the Department of Health and Mental Hygiene decrease beginning as early as fiscal 2010 by an indeterminate amount for programs such as the Maryland AIDS Drug Assistance

Program that currently place individuals in MHIP. Premium rates for the new temporary high-risk pool program are projected to be lower than those currently charged to standard MHIP plan members.

Future year revenues and expenditures terminate with the termination of the program in January 2014, halfway through fiscal 2014.

Local Expenditures: MHIP advises that premium rates for the new temporary high-risk pool program are projected to be lower than those currently charged to standard MHIP plan members. Therefore, local government expenditures decrease beginning as early as fiscal 2010 for local governments that currently purchase MHIP coverage for certain individuals who meet program criteria and will pay reduced premiums for those participants.

Additional Information

Prior Introductions: None.

Cross File: HB 1564 (Chair, Health and Government Operations Committee)(By Request - Departmental - Health Insurance Plan) - Health and Government Operations.

Information Source(s): Maryland Health Insurance Plan, Maryland Insurance Administration, Kaiser Family Foundation, Department of Legislative Services

Fiscal Note History: First Reader - March 24, 2010
ncs/mwc

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Health Insurance Plan – Administration of National High Risk Pool Program

BILL NUMBER: Senate Bill 1125

PREPARED BY: Maryland Health Insurance Plan

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

With respect to the small business impact, the bill may make affordable health insurance coverage available to sole proprietors. Sole proprietors used to be able to purchase coverage in the small group market, but are now excluded from that market. Their only option now is to go into the individual market and, in some cases, they may not be able to afford coverage in the individual market. Due to premium subsidies that will be provided through the national risk pool program, administering that program in Maryland may make health insurance coverage available to sole proprietors who otherwise could not afford it.