

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 119 (The Speaker)(By Request - Administration)
Health and Government Operations

Maryland Health Insurance Plan - Access for Bridge Eligible Individuals

This emergency Administration bill expands the purpose of the Maryland Health Insurance Plan (MHIP) to include providing access to affordable, comprehensive health benefits for “bridge eligible individuals,” as needed, on a retroactive and prospective basis and expresses the intent of the General Assembly that MHIP be used to subsidize health insurance coverage for such individuals.

Fiscal Summary

State Effect: MHIP special fund expenditures increase, by a potentially significant amount, in FY 2014 to subsidize health insurance coverage for bridge eligible individuals who enroll in MHIP. The exact amount cannot be reliably quantified and will depend on the number of people who qualify as bridge eligible individuals, the number of those individuals who choose to enroll in MHIP, the plan selected, the length of time the individual remains enrolled in MHIP, and the total health care expenditures incurred during enrollment. Funds are anticipated to come from the MHIP fund balance. Sufficient funds are available for this purpose, and no additional State funds should be required. To the extent individuals remain enrolled in MHIP, special fund expenditures continue to increase by a potentially significant amount in FY 2015.

Local Effect: None.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary: A “bridge eligible individual” is eligible for enrollment in the Maryland Health Benefit Exchange (MHBE) and can provide evidence that the individual has attempted to obtain insurance through MHBE but was unsuccessful in enrolling. “Bridge eligible individual” includes dependents but does not include those eligible for Medicare, Medicaid (with the exception of those eligible for a subsidy provided under a Medicaid waiver program), the Maryland Children’s Health Program, or an employer-sponsored group health insurance plan that includes comparable benefits.

The bill repeals the requirement to close MHIP enrollment as of December 31, 2013. Thus, a medically uninsurable individual enrolled in MHIP as of December 31, 2013, who terminates enrollment may reenroll as a bridge eligible individual. However, enrollment in MHIP must be closed to any bridge eligible individual who is not enrolled by March 31, 2014. The MHIP enrollment of a bridge eligible individual terminates on the effective date of enrollment in a qualified health plan (QHP) through MHBE. Under the bill, bridge eligible individuals may remain enrolled in an MHIP plan until the plan ends.

The bill authorizes the MHIP board to adopt an amendment to the MHIP plan of operation regarding enrollment of bridge eligible individuals without the approval of the Insurance Commissioner. The MHIP board may also adopt policies and procedures to operate and administer MHIP as it pertains to enrollment of bridge eligible individuals. The MHIP board must provide notice of these policies and procedures to the Joint Committee on Administrative, Executive, and Legislative Review; the Senate Finance Committee; and the House Health and Government Operations Committee.

Current Law:

Maryland Health Insurance Program: MHIP provides health insurance for individuals who have certain qualifying conditions or do not have access to insurance. Members are required to pay a premium based on age, subscriber type, and type of benefit plan. Individuals with incomes below 300% of federal poverty guidelines (in 2013, \$70,650 for a family of four) may receive discounted premiums through MHIP+. The Department of Health and Mental Hygiene’s Prevention and Health Promotion Administration funds premiums, deductibles, and copayments for a portion of MHIP enrollees.

Generally, to qualify for MHIP, an individual must be a Maryland resident for at least six months and meet one of the following criteria: (1) have a qualifying medical condition; (2) have been denied coverage for medical reasons within the past six months; (3) be enrolled in or eligible for individual health insurance that either limits, restricts, or blocks coverage for a specific medical condition or has similar benefits to MHIP but

costs more due to the individual's health condition; or (4) be a child who qualifies for medical reasons.

The expenses for the insurance products offered through MHIP are supported by premiums, a subsidy generated by a 1% assessment on hospitals, and a limited amount of federal grant funds. In fiscal 2013, premium revenues of \$102.5 million supported approximately 42% of MHIP insurance expenditures, with the remaining expenditures subsidized through assessment revenue (\$121.9 million) and federal funds (\$19.8 million). MHIP's fund balance at the end of fiscal 2013 was \$160.2 million. By the end of fiscal 2014, this balance is estimated to be about \$149.6 million.

Chapter 159 of 2013 (the Maryland Health Progress Act of 2013) required that enrollment in MHIP, including reenrollment of former enrollees, be closed as of December 31, 2013, as MHIP members will have guaranteed access to insurance through the individual market or MHBE. The Act also established a State Reinsurance Program to mitigate the impact of high-risk individuals on rates in the individual market inside and outside MHBE. Funding for the program is authorized to come from MHIP.

Maryland Health Benefit Exchange: The Patient Protection and Affordable Care Act (ACA) requires states to have a health insurance exchange, either state-based or federal, in place by January 1, 2014. Maryland was 1 of 14 states that opted to develop a state-based exchange, known as Maryland Health Connection. The exchanges are intended to provide a marketplace for individuals and small businesses to purchase affordable health coverage. Chapters 1 and 2 of 2011 established the governance, structure, and funding of MHBE, the primary function of which is to certify and make available QHPs and qualified dental plans to individuals and businesses and to serve as a gateway to an expanded Medicaid program under ACA. MHBE is a public corporation and independent unit of State government with a nine-member Board of Trustees.

Background:

Maryland Health Benefit Exchange: On October 1, 2013, MHBE launched Maryland Health Connection, an online insurance marketplace to compare and enroll in health insurance and determine eligibility for Medicaid and other assistance programs, federal tax credits, and cost-sharing reductions. From inception, the website has had significant technological problems hindering enrollment and posted much lower-than-anticipated enrollment figures.

By mid-December, the Administration indicated that major information system fixes had been completed, and the website was functional for most individuals. To allow additional time for enrollment to ensure coverage effective January 1, 2014, the initial deadline of December 23, 2013, was extended until December 27, 2013. Two carriers

(Evergreen Health Co-op and Kaiser Permanente) accepted enrollments through December 31, 2013. Coverage began January 1, 2014, for all individuals successfully enrolled. However, some individuals who had attempted to enroll in coverage through the site were unsuccessful and remain uncovered for January 2014. Open enrollment continues through March 31, 2014; however, coverage for individuals enrolling after December 31, 2013, will not begin until February 1, 2014, or later.

According to MHBE, as of January 4, 2014, a total of 162,000 Marylanders have enrolled in health insurance coverage through Maryland Health Connection (primarily in the Medicaid program), with 20,358 individuals enrolled in QHPs. The Administration's goal is to have 150,000 individuals enrolled in QHPs by March 31.

The federal exchange website, HealthCare.gov, and several other state-based exchanges have also experienced technical problems. In contrast, some states' exchange websites have generally performed better than Maryland's. As of December 31, 2013, the HealthCare.gov website had enrolled 2.1 million individuals in private coverage, compared with its goal of 7 million. Individuals who tried to enroll through the site but were unable to do so by December 24, 2013, have been granted a special enrollment period and been instructed to contact a call center for individual assistance. As of December 31, 2013, 7,000 individuals had called a special hotline to report trouble enrolling and are being considered for retroactive coverage.

Maryland Health Insurance Plan: As of November 30, 2013, 13,167 Marylanders were covered through MHIP standard and 6,272 through MHIP+. MHIP+ was originally scheduled to end on December 31, 2013; however, the MHIP board extended the program through March 31, 2014, as many enrollees were experiencing difficulties trying to obtain a new health plan to begin January 1, 2014. The MHIP standard plan was originally set to end June 30, 2014, but was recently extended through December 31, 2014, by the MHIP board.

MHIP currently offers five standard plans with varying medical deductibles: (1) a preferred provider organization (PPO) with a \$1,000 per person/\$2,000 per family deductible; (2) HealthyBlue, with deductibles ranging from \$1,500 per person/\$3,000 per family to \$2,500 per person/\$5,000 per family; (3) a PPO with a \$500 per person/\$1,000 per family deductible; (4) a high deductible plan (HDP) with a \$2,600 per person/\$5,200 per family deductible; and (5) a health maintenance organization (HMO) plan with no deductible. Premiums are based on the benefit option, the coverage level, and the age of the oldest applicant. Monthly premiums range from \$189 for an individual younger than age 30 in an HDP to \$3,400 for family coverage with an individual older than age 65 in the HMO.

MHIP+ offers three plans that are available based on household family income: (1) a PPO with a \$200 per person/\$400 per family deductible; (2) a PPO with a \$500 per person/\$1,000 per family deductible; and (3) an HMO with no deductible. Monthly premiums range from \$181 for an individual younger than age 30 in the \$200 deductible PPO (only the lowest income enrollees are eligible for this premium) to \$1,414 for family coverage with an individual older than age 65 in the HMO.

State Expenditures: MHIP special fund expenditures increase, by a potentially significant amount, in fiscal 2014 to subsidize health insurance coverage for bridge eligible individuals who enroll in MHIP. Special fund expenditures could continue in fiscal 2015 for individuals who remain enrolled in MHIP.

According to the Administration, the total number of individuals who have attempted to obtain insurance through MHBE for coverage effective January 1, 2014, and were unsuccessful in enrolling is unknown and could range from several hundred to several thousand. Some of these individuals may have been found eligible for Medicaid or obtained coverage on their own directly through a carrier. Others may be willing to wait for coverage that begins February 1 or later. A subset of those that qualify as bridge eligible, those who are already having or anticipate medical expenses in January, will be most likely to seek retroactive coverage through MHIP. The Administration estimates that between 200 and 5,000 individuals may actually enroll in MHIP under the bill at a cost of between \$5.0 million and \$10.0 million.

Bridge eligible individuals will have access to any standard plan under MHIP, with individuals with family incomes up to 300% FPG eligible for MHIP+ plans, which have lower premiums and deductibles. The Administration anticipates that most individuals who will choose to enroll in MHIP under the bill will qualify for MHIP+. Individuals will be allowed to remain in an MHIP plan until the plan ends or until they enroll in a QHP through MHBE. MHIP+ is scheduled to end March 31, 2014, while MHIP standard is scheduled to end December 31, 2014. Either plan could be further extended by the MHIP board.

For illustrative purposes only, MHIP special fund expenditures could increase by as much as \$12.0 million in fiscal 2014. This figure is based on the following information and assumptions:

- Between 200 and 5,000 individuals may seek to enroll in MHIP under the bill.
- Each enrollee in a standard MHIP plan increases MHIP special fund expenditures, on average, by \$400 per month.
- Each enrollee in an MHIP+ plan increases MHIP special fund expenditures, on average, by \$700 per month.

- Enrollees will remain enrolled in MHIP for as little as 1 month, but they could remain in the standard plan for as long as 12 months (or longer if an MHIP plan is further extended by the MHIP board).

Actual expenditures will depend on the number of people who qualify as bridge eligible, the number of those individuals who choose to enroll in MHIP, the plan selected, the length of time the individuals remain enrolled, and the total health expenditures incurred during enrollment.

The Department of Legislative Services notes that actual expenditures will likely be much lower and could be *significantly* lower if only a few hundred individuals enroll for only one month and are quickly transitioned into a QHP through MHBE (500 individuals enrolled in MHIP+ for one month would result in increased expenditures of \$350,000).

According to the Administration, special fund expenditures for the bill will be paid out of the MHIP fund balance, which, as noted earlier, is anticipated to be \$149.6 million at the end of fiscal 2014. Using MHIP funds for this purpose will reduce the amount of funding available for the State Reinsurance Program established in 2013.

Additional Information

Prior Introductions: None.

Cross File: SB 134 (The President (By Request – Administration)) – Finance.

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

Fiscal Note History: First Reader - January 13, 2014
ns/ljm

Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Health Insurance Plan- Access for Bridge Eligible
Individuals

BILL NUMBER: SB 134/HB 119

PREPARED BY: Governor's Office

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

The proposed legislation will have no impact on small business in Maryland.