

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 1509 (Delegate Hammen)
Health and Government Operations

Maryland Health Benefit Exchange - State Reinsurance Program and Health Insurance Subsidy Program

This bill repeals the authority of the Maryland Health Benefit Exchange (MHBE) to establish a State Reinsurance Program and instead authorizes MHBE, with the approval of the Insurance Commissioner, to establish a Health Insurance Subsidy Program to take effect on or after January 1, 2015.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: The bill primarily alters the purposes for which existing funds may be used. To the extent it requires administrative changes, MHBE can handle them with existing resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The purpose of the Health Insurance Subsidy Program is to make health insurance more affordable. Funds available through the program may be used to (1) subsidize the premiums and cost-sharing obligations of qualified individuals for qualified health plans (QHPs) purchased through the Individual Exchange or (2) mitigate the impact of high-risk individuals on rates in the individual insurance market inside and outside the exchange by reinsuring against excessive health care expenses.

With the approval of and collaboration with the Board of Directors of the Maryland Health Insurance Plan (MHIP), MHBE may use revenue from the MHIP Fund for the Health Insurance Subsidy Program. The bill also substitutes “Health Insurance Subsidy Program” for references to “State Reinsurance Program” to conform with the proposed new program. Additionally, it modifies the annual report date from December 1 to October 1, beginning in 2014, for a report on transition of MHIP enrollees out of the plan and use of the fund for the new subsidy program (rather than the State Reinsurance Program).

Current Law: A “qualified individual” means an individual, including a minor, who at the time of enrollment (1) is seeking to enroll in a QHP offered to individuals through MHBE; (2) resides in the State; (3) is not incarcerated, other than incarceration pending disposition of charges; and (4) is, and reasonably is expected to be for the entire period for which enrollment is sought, a citizen or national of the United States or an alien lawfully present in the United States. A “qualified health plan” means a health benefit plan that has been certified by MHBE to meet specified criteria for certification under State and federal law.

Chapter 159 of 2013 (the Maryland Health Progress Act of 2013) authorized MHBE, in consultation with the Maryland Health Care Commission and with the approval of the Insurance Commissioner, to establish a State Reinsurance Program on or after January 1, 2014. The purpose of the program is to mitigate the impact of high-risk individuals on rates in the individual insurance market inside and outside the exchange. Funding for the program is authorized from the portion of the hospital assessment transferred to the MHBE Fund, which currently is used to fund MHIP. Current law establishes a floor for the assessment of 0.8128% and the current assessment is set at 1.0%.

By October 1, 2013, and by October 1 of each year thereafter until MHIP no longer has liability for claims submitted by enrollees, the MHIP and MHBE boards must determine (1) the amount of money that will be needed to pay MHIP claims and support MHIP operations for the following calendar year and (2) the amount of money that will be needed to fund the State Reinsurance Program. The MHIP board may, beginning January 1, 2014, allow transfer of MHIP funds into the MHBE Fund for the purpose of funding the State Reinsurance Program.

By December 31, 2013, and by December 31 of each year thereafter until MHIP no longer has liability for claims submitted by enrollees and the State Reinsurance Program is terminated, the MHIP and MHBE boards must report to the Governor and the General Assembly on the transition of plan enrollees out of MHIP and the use of the MHBE Fund for the State Reinsurance Program.

Background: As part of the analysis of a potential State Reinsurance Program, The Hilltop Institute issued a paper in December 2013 to inform policy decisions regarding the establishment of a subsidy program to lower out-of-pocket costs for individuals who purchase health insurance coverage through MHBE. The Administration has stated publicly that the MHIP Fund surplus could be used to support premium subsidies. The Hilltop analysis offers multiple scenarios based on:

- lowering expected consumer contributions to supplement the federal premium tax credit (and having an option for consumers up to 400% and 500% of federal poverty guidelines (FPG));
- reducing consumer contributions to a maximum flat percentage of income (and having an option for consumers up to 400% and 500% FPG);
- a hybrid approach of the above with lower contributions for individuals below 200% FPG and establishing a maximum premium payment to a flat percentage of income above 200% FPG to either 400% or 500% FPG; and
- providing a State subsidy as a fixed percentage of premiums regardless of income.

Cost estimates were run based on “high” and “low” enrollment scenarios, although even the low scenario is well above current enrollment levels. Cost estimates ranged from \$27.0 million to \$195.0 million for fiscal 2015 depending on the option. However, absent information about enrollment, future premium rates, and the impact on affordability, these estimates remain scenarios.

Additional Information: SB 172/HB 162 of 2014 (the Budget Reconciliation and Financing Act of 2014) includes a provision to reduce the MHIP assessment to a maximum of 0.5% of hospital net patient revenue effective October 1, 2014. This provision would reduce special fund revenues to the MHIP Fund by an estimated \$48.2 million in fiscal 2015 and more than \$65.3 million annually beginning in fiscal 2016. Even with a reduced assessment, the MHIP Fund is projected to have a \$126.0 million surplus over capital adequacy requirements at the end of fiscal 2015. This surplus will continue to grow in the out-years as the assessment generates approximately \$65.0 million in revenues annually.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Analysis of State Supplemental Subsidies for Exchange Enrollees*; The Hilltop Institute, December 2013; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

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