

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 690
 Finance

(Senator Benson, *et al.*)

Health and Government Operations

Maryland Health Insurance Coverage Protection Commission – Basic Health Program – Study

This bill requires the Maryland Health Insurance Coverage Protection Commission to study and make recommendations regarding the feasibility of the State providing Basic Health Program (BHP) coverage beginning January 1, 2020. The commission must include its findings and recommendations in its annual report due by December 31, 2018. **The bill takes effect June 1, 2018.**

Fiscal Summary

State Effect: General fund expenditures increase by at least \$50,000 in FY 2019 only, as discussed below. Revenues are not affected.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	50,000	0	0	0	0
Net Effect	(\$50,000)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The study must address whether the State can:

- implement BHP to significantly reduce the cost of coverage to some or all individuals with incomes up to 200% of federal poverty guidelines (FPG) who are ineligible for Medicaid;
- pay for BHP services using *only* federal funding;
- implement BHP efficiently through existing State agencies; and
- retain enough covered lives in health plans offered through the Maryland Health Benefit Exchange (MHBE) to assure market stability.

Current Law/Background:

Basic Health Program

The federal Patient Protection and Affordable Care Act (ACA) gives states the option to implement BHP, a health benefits coverage program for low-income residents who would otherwise be eligible to purchase coverage through the exchange. BHP is available to individuals with incomes up to 200% of FPG – in 2018, \$24,280 for an individual or \$50,200 for a family of four.

To be eligible for BHP services, an individual must be (1) a state resident; (2) age 64 or younger; (3) a U.S. citizen or lawfully present immigrant; and (4) ineligible for other minimum essential coverage, including Medicaid (which provides coverage for individuals with incomes up to 138% FPG), the Children’s Health Insurance Program, and affordable insurance offered by an employer.

The federal government pays 95% of the amount of the federal advanced premium tax credits and cost-sharing reductions (CSRs) that would otherwise have been provided if eligible individuals purchased a qualified health plan through the exchange. However, CSR payments were suspended by the federal government in 2017.

Two states, Minnesota and New York, have BHPs, with Minnesota’s program beginning January 1, 2015, and New York’s program beginning April 1, 2015. The Maryland Department of Health (MDH) advises that, in fiscal 2017, Minnesota and New York found that federal funds were projected to cover only 68% and 85% of the states’ total BHP costs, respectively. Both states are also currently in litigation with the federal government regarding interpretation of the BHP funding formula in light of the termination of CSR payments. The federal government will not factor in CSR subsidies for fiscal 2018 funding, which reduces federal payments to these states by 25%, in addition to the existing shortfalls.

In January 2012, prior to implementation of MHBE and expansion of Medicaid under the ACA, Maryland Medicaid and The Hilltop Institute completed an initial [analysis](#) of BHP. The report concluded that BHP represents an innovative approach to providing coverage to a low-income population that may be able to mitigate churning for individuals moving between Medicaid and MHBE. However, the report noted that there were several unknown factors at the time that prohibited an adequate assessment of whether the federal payment and enrollee premiums would cover BHP costs and how much State financial liability would be involved.

Maryland Health Insurance Coverage Protection Commission

Chapter 17 of 2017 established the Maryland Health Insurance Coverage Protection Commission to (1) monitor potential and actual federal changes to the ACA, Medicaid, the Maryland Children's Health Program, Medicare, and the Maryland All-Payer Model; (2) assess the impact of such changes; and (3) provide recommendations for State and local action to protect access to affordable health coverage. By December 31 each year, the commission must submit a report on its findings and recommendations. The commission is jointly staffed by the Department of Legislative Services, MDH, and the Maryland Insurance Administration. The commission terminates June 30, 2020.

State Expenditures: General fund expenditures increase by at least \$50,000 in fiscal 2019 for contractual actuarial services to assist the commission in modeling the financial impact of implementing BHP in Maryland.

This analysis does not reflect any potential fiscal impact associated with implementation of BHP in Maryland, which could begin as early as January 1, 2020, under the bill.

Additional Information

Prior Introductions: None.

Cross File: HB 726 (Delegate R. Lewis, *et al.*) - Health and Government Operations.

Information Source(s): Centers for Medicare and Medicaid Services; Maryland Department of Health; Maryland Health Benefit Exchange; Department of Legislative Services

Fiscal Note History:
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