

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 802

(Senator Feldman, *et al.*)

Finance and Budget and Taxation

Health and Government Operations

Maryland Easy Enrollment Health Insurance Program

This bill establishes a Maryland Easy Enrollment Health Insurance Program (program). By January 1, 2020, the Maryland Health Benefit Exchange (MHBE), the Maryland Department of Health (MDH), and the Comptroller must develop and implement systems, policies, and practices to implement the program, which must be available for residents to use when filing a State income tax return beginning with tax year 2019. **The bill takes effect June 1, 2019.**

Fiscal Summary

State Effect: No effect in FY 2019. In FY 2020, MHBE special fund expenditures increase by \$1.2 million for contractual information technology (IT) costs and outreach (not shown below as these costs can be absorbed within the existing MHBE mandated appropriation). Also in FY 2020, general fund expenditures increase by \$295,000 for the Office of the Comptroller to alter State income tax forms and securely share data with MHBE; future years reflect ongoing implementation costs. Though not *quantified* below, Medicaid expenditures (general and federal funds) increase, potentially significantly, beginning in FY 2020 from increased enrollment; federal matching fund revenues increase accordingly. **This bill increases the cost of an entitlement program beginning in FY 2020.**

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
FF Revenue	-	-	-	-	-
GF Expenditure	\$295,000	\$45,000	\$45,000	\$45,000	\$45,000
GF/FF Exp.	-	-	-	-	-
Net Effect	(-)	(-)	(-)	(-)	(-)

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 bill repeals the current definition of “minimum essential coverage” (a cross reference to federal law) and defines the term to mean Medicare; Medicaid; the Maryland Children’s Health Program (MCHP); specified federal coverage under Tricare, the U.S. Department of Veterans Affairs, and the Peace Corps and for civilian military employees; coverage under an eligible employer-sponsored plan; coverage under a health benefit plan in the individual market; coverage under a grandfathered health plan; or other specified coverage.

Maryland Easy Enrollment Health Insurance Program

The purposes of the program are to:

- establish a State-based reporting system to provide information about the health insurance status of State residents through the use of State income tax returns (and identify uninsured individuals and determine whether they are interested in obtaining coverage);
- determine whether an uninsured individual who is interested in obtaining minimum essential coverage qualifies for an insurance affordability program;
- assist in enrolling uninsured individuals in an insurance affordability program and minimum essential coverage; and
- maximize enrollment of eligible uninsured individuals in insurance affordability programs and minimum essential coverage.

MHBE must develop a detailed set of data privacy and data security safeguards to govern the conveyance, storage, and utilization of data under the program. The safeguards must comply with applicable requirements of federal and State law.

Maryland Easy Enrollment Health Insurance Program Advisory Workgroup

MHBE must establish a Maryland Easy Enrollment Health Insurance Program Advisory Workgroup to provide ongoing advice regarding implementation of the program. The advisory workgroup must include representation from the Office of the Comptroller and specified stakeholders. The workgroup must advise the Comptroller on specified language for State income tax returns.

By December 31, 2022, the advisory workgroup must report to the General Assembly on (1) the effectiveness of the program; (2) recommendations as to whether implementing an individual responsibility amount or implementing automatic enrollment of individuals in a qualified health plan (QHP) in the individual market is feasible and in the best interest of

the State; and (3) if so, the dollar amount of the individual responsibility amount and whether the State should provide an individual the option of obtaining health insurance instead of paying the individual responsibility amount.

Insurance Affordability Programs

MHBE or MDH must determine eligibility for insurance affordability programs as soon as possible after an individual files a State income tax return and indicates that he or she is uninsured and interested in obtaining minimum essential coverage. Verification of eligibility should be accomplished in a manner that limits the burden on the uninsured individual. MHBE or MDH must attempt to verify the citizenship status of an uninsured individual and each household member. If citizenship is not verified and affirmative consent is not provided, MHBE and MDH may not take any further steps to determine eligibility for or enroll an individual in an insurance affordability program.

MHBE or MDH must make a determination of eligibility for Medicaid and MCHP before determining eligibility for any other insurance affordability program. The bill provides for automatic enrollment in Medicaid managed care organizations (MCOs) under specified circumstances. When an individual is not eligible for Medicaid or MCHP, MHBE must determine whether the individual is eligible for premium tax credits or cost-sharing reductions (CSRs).

A special enrollment period for the individual market must begin on the date an income tax return is filed by or on behalf of an uninsured individual that authorizes MHBE to determine the individual's eligibility for an insurance affordability program. The enrollment period must last for at least 14 days.

Tax Provisions

The Comptroller must include on the individual income tax return form a checkoff for indicating whether the individual, or each spouse in the case of a joint return, and any individual claimed as a dependent on the tax return is an uninsured individual at the time the tax return is filed. The Comptroller must include with the income tax return a separate form (that includes two additional checkoff boxes) that is required only for individuals who file a return indicating that an individual is uninsured at the time the tax return is filed.

If a State income tax return indicates that an individual is uninsured at the time the tax return is filed, the tax return must include specified information. An individual must choose one of two checkoff boxes on the separate form: (1) have MHBE determine the uninsured individual's eligibility for insurance affordability programs and obtain additional data relevant to determine such eligibility; or (2) decline to have MHBE make such a determination. If an individual who files a tax return chooses the first checkoff box,

the Comptroller must convey to MHBE all insurance-relevant information contained on the return.

If the Comptroller determines, after consultation with MHBE, that implementation of these provisions is not administratively feasible for tax year 2019, the Comptroller may delay implementation until tax year 2020.

The Comptroller must ensure that the integrated tax system to which the Office of the Comptroller is currently transitioning has the capability to collect individual responsibility amounts. By December 1, 2020, the Comptroller must report to the General Assembly on the progress in transitioning to the integrated tax system and the costs and time needed to include functionality to process and collect individual responsibility amounts in the system.

Current Law/Background:

Maryland Health Benefit Exchange

MHBE was created during the 2011 session to provide a marketplace for individuals and small businesses to purchase affordable health coverage. MHBE is funded with a combination of Medicaid funds (which are used for IT related to Medicaid eligibility) and a \$35 million annual mandated appropriation. Through the Maryland Health Connection (MHC), Maryland residents can shop for health insurance plans, compare rates, and determine their eligibility for advanced premium tax credits (APTCs), CSR plans, and public assistance programs such as Medicaid. Once an individual or family selects a QHP, they enroll in that program directly through MHC.

Enrollment: For calendar 2019, 159,963 individuals have enrolled in a QHP through MHBE. Most enrollees are eligible for a federal APTC or to purchase a CSR plan.

Federal Advanced Premium Tax Credits: Federal APTCs are available to individuals with incomes between 100% and 400% of the federal poverty level (FPL) and help to make monthly premiums more affordable. In calendar 2018, 121,400 individuals (79% of MHBE enrollees) qualified for an APTC. For January 2018, the monthly value of APTCs to Maryland residents was \$63.9 million.

Cost-sharing Reduction Plans and Payments: CSR plans are silver-level plans with reduced cost sharing that insurers are required to offer under the federal Patient Protection and Affordable Care Act (ACA) to enrollees with incomes between 100% and 250% FPL.

State Fiscal Effect:

Maryland Health Benefit Exchange

Under the bill, MHBE must, among other things, (1) develop and implement new systems to determine the eligibility of uninsured individuals for insurance affordability programs based on information transferred from State income tax forms by the Comptroller; (2) develop an IT interface between MHBE and the Comptroller; and (3) conduct significant outreach with uninsured individuals and enroll eligible individuals in Medicaid/MCHP or a QHP offered through MHC.

Thus, MHBE special fund expenditures increase by an estimated \$1,178,240 in fiscal 2020. This estimate reflects the cost of (1) contractual IT expenses to develop and operate an interface between MHBE’s eligibility system and the Comptroller’s State income tax system, which must be operational by January 1, 2020, and (2) beginning in January 2020, outreach communications with uninsured individuals who have indicated on their State income tax return that they wish MHBE to determine their eligibility for insurance affordability programs. It includes contractual salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. These contractual personnel expenditures are assumed to begin July 1, 2019, so that new systems and procedures are fully operational by January 1, 2020.

	<u>FY 2020</u>	<u>FY 2021</u>
Ongoing Contractual IT Expenses	\$597,980	\$561,365
Outreach Communications	475,475	950,950
One-time Start-up Costs	92,910	—
Ongoing Operating Expenses	<u>11,875</u>	<u>11,875</u>
Total MHBE Expenditures	\$1,178,240	\$1,524,190

In fiscal 2021, MHBE special fund expenditures increase by an estimated \$1,524,190, which reflects ongoing contractual IT expenses and a full year of outreach communications. Future year expenditures reflect ongoing expenses.

This analysis assumes that these expenditures (and future year expenditures) can be absorbed within the existing \$35 million annual mandated appropriation for MHBE as the mandated appropriation has not been fully spent in recent years.

Administrative Expenses for the Office of the Comptroller

The bill requires the Comptroller to, among other things, alter the State individual income tax form for tax year 2019 and develop and maintain data-sharing capability with MHBE. Thus, general fund expenditures for the Office of the Comptroller increase by \$295,000 in

fiscal 2020. This estimate reflects (1) a one-time-only expenditure of \$250,000 to modify the tax year 2019 State income tax form to include an additional checkoff box and a new form (with two additional checkoff boxes) for individuals who indicate they are uninsured to provide additional information and (2) ongoing expenditures of \$45,000 per year for data sharing with MHBE (including \$25,000 for the collection, querying, and formatting of the data and \$20,000 for a secure file transfer protocol for the data). These costs are incurred in fiscal 2020 to allow the transfer of data to MHBE following the filing of State income tax returns for tax year 2019 (beginning in January 2020).

The bill authorizes the Comptroller to delay implementation of the collection and transmission of information on uninsured individuals to MHBE to tax year 2020. To the extent the Comptroller elects to defer implementation, these expenditures are also deferred until fiscal 2021.

Medicaid and the Maryland Children's Health Program

Beginning in January 2020, as individuals file their State income tax returns for tax year 2019, MHBE or MDH must begin determining eligibility for Medicaid and MCHP and automatically enrolling individuals in a Medicaid MCO. To the extent a substantial number of individuals are enrolled in Medicaid and MCHP as a result of the bill, expenditures increase, potentially significantly, beginning in the second half of fiscal 2020.

For illustrative purposes only, for every 1,000 new adult Medicaid enrollees, expenditures increase by a total of \$4.2 million (87% federal funds, 13% general funds) in fiscal 2020 and \$8.7 million (87% federal funds, 13% general funds) in fiscal 2021. For every 1,000 children enrolled in Medicaid or MCHP, total expenditures increase by \$1.1 million in fiscal 2020 (69% federal funds, 31% general funds) and \$2.3 million in fiscal 2021 (63% federal funds, 37% general funds). This assumes that 90% of new adult enrollees are eligible under the ACA expansion and 75% of new child enrollees are eligible for MCHP, which both offer enhanced federal matching rates. The remaining adult and child enrollees are assumed to be eligible for traditional Medicaid with a 50% federal matching rate.

MDH advises that the composition of individuals that may be enrolled under the bill is more likely to be 50% traditional Medicaid and 50% ACA/MCHP, which results in a *significantly* higher general fund share of expenditures. Thus, this analysis cautions that actual general fund expenditures under the bill depend heavily not only on the number of potential new enrollees but also on the eligibility categories of any new enrollees.

To the extent the Comptroller elects to defer implementation as mentioned above, Medicaid expenditures (and federal matching fund revenues) do not increase until fiscal 2021.

Additional Information

Prior Introductions: Similar legislation, HB 1167 of 2018, received a hearing in the House Health and Government Operations Committee, but no further action was taken. Its cross file, SB 1011, received a hearing in the Senate Finance Committee and was reassigned to the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: HB 814 (Delegate Pena-Melnyk, *et al.*) - Health and Government Operations.

Information Source(s): Department of Budget and Management; Office of the Comptroller; Maryland Department of Health; Maryland Health Benefit Exchange; Maryland Insurance Administration; Department of Legislative Services

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