

Department of Legislative Services  
Maryland General Assembly  
2020 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 196

(Delegate Pena-Melnyk)

Health and Government Operations

Finance

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Maryland Health Benefit Exchange – Assessment Applicability and Report on  
State-Based Individual Market Health Insurance Subsidies

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This bill requires the Maryland Health Benefit Exchange (MHBE), by December 1, 2020, to report specified information to the Senate Finance Committee and the House Health and Government Operations Committee as it relates to establishing State-based individual market health insurance subsidies in the State. The bill also clarifies that the health insurance provider fee assessment applies to health insurance products that *were* subject to a specified federal fee *as in effect on December 1, 2019*. **The bill takes effect July 1, 2020.**

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**Fiscal Summary**

**State Effect:** MHBE can report the required information using existing budgeted resources. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Chapters 37 and 38 of 2018 established a health insurance provider fee assessment on specified entities for calendar 2019 only. In addition to other amounts due, an insurer, a nonprofit health service plan, a health maintenance organization, a dental plan organization, a fraternal benefit organization, a Medicaid managed care organization, and any other person subject to State regulation that provides a product that is subject to a specified federal fee was subject to an assessment of 2.75% on all amounts used to calculate the entity's premium tax liability or the amount of the entity's premium tax exemption

value for calendar 2018. The purpose of the assessment was to recoup the aggregate amount of the health insurance provider fee that otherwise would have been assessed under the federal Patient Protection and Affordable Care Act that was attributable to State health risk for calendar 2019 as a bridge to stability in the individual market.

Chapters 597 and 598 of 2019 extended the health insurance provider fee assessment through calendar 2023. In calendar 2020 through 2023, the amount of the assessment must be 1% on all amounts used to calculate the entity's premium tax liability for the immediately preceding calendar year.

Assessment revenue is distributed to the MHBE Fund, which may be used only for the operation and administration of MHBE and for the establishment and operation of the State Reinsurance Program.

## **Background:**

### *State Reinsurance Program*

Chapters 6 and 7 of 2018 required MHBE to submit an application for a federal Section 1332 waiver to establish a State Reinsurance Program and seek federal pass-through funding. The federal government approved the waiver in August 2018. The waiver is approved through 2023. Funding includes State special funds from the health insurance provider fee assessment and federal pass-through funding. Under the waiver, Maryland is able to use federal pass-through funds (federal funding that would have been provided to Maryland residents in the form of advanced premium tax credits in the absence of the reinsurance program) to provide additional funding for the program.

For calendar 2019, the State Reinsurance Program will provide reinsurance to carriers that offer individual health benefit plans in the State. Carriers that incur total annual claims costs on a per-individual basis between a \$20,000 attachment point (the dollar amount of insurer costs above which an insurer is eligible for reinsurance) and a cap of \$250,000 will be reimbursed for 80% of those claims costs. Payments to insurance carriers will be made in September 2020, after all costs have been recorded and reconciled.

### *State-based Health Insurance Premium Subsidies in Other States*

Massachusetts' ConnectorCare Program provides two additional state subsidies (a premium subsidy and a cost-sharing subsidy) for eligible individuals with incomes up to 300% of federal poverty guidelines (FPG). ConnectorCare costs \$299 million annually (\$151.1 million for premium subsidies and \$147.7 million for cost-sharing subsidies). The program is funded by the Commonwealth Care Trust Fund and federal matching funds. The Commonwealth Care Trust Fund comprises a surcharge on the state cigarette tax,

individual mandate penalties, and assessments on employers, and provides \$165 million in annual funding for ConnectorCare. Massachusetts also receives \$134 million in federal matching funds for the program through a Section 1115 waiver. ConnectorCare currently covers about 200,000 enrollees with five carriers participating statewide.

Two other states are either planning to offer or are studying state premium subsidies. California will provide state-funded subsidies to residents with incomes up to 600% FPG in plan years 2020 through 2022. Subsidies will be set to limit premiums to a percentage of household income (ranging from 6% for households at 200% FPG to 18% for households at 600% FPG). Most funding (about 80%) will go toward households with incomes between 401% FPG and 600% FPG. California will use money generated from imposing individual mandate penalties (estimated at \$317 million in 2020) to partially finance these costs, along with general fund contributions. The total cost of the subsidies is estimated at \$429 million for plan year 2020.

Legislation enacted in Washington requires the state to develop a plan to implement and fund premium subsidies for individuals with incomes up to 500% FPG. Subsidies are intended to ensure that individuals spend no more than 10% of household income on premiums. The plan must include an assessment of providing cost-sharing reductions and assess the impact of the subsidies on the uninsured rate. The plan is due to the legislature by November 15, 2020.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** SB 124 (Senator Feldman, *et al.*) - Finance.

**Information Source(s):** Maryland Department of Health; Maryland Health Benefit Exchange; Maryland Insurance Administration; Department of Legislative Services

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