

# Report on the Maryland HB1563 and the Feasibility, Design and Funding of The Maryland Infant Lifetime Care Trust

For the Maryland State House Judiciary Committee

*Commitment Beyond Numbers*



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# Pinnacle Introduction & Background

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- Associate of the Casualty Actuarial Society (ACAS)
- Member of the American Academy of Actuaries (MAAA)

Pinnacle Actuarial Resources has served:

- ✓ **New York** Medical Indemnity Fund since before it was enacted in October of 2011
- ✓ **Florida** Birth-Related Neurological Injury Compensation Association (NICA) since 2008
- ✓ **Virginia** Birth-Related Neurological Injury Compensation Program in various capacities since 2003
- ✓ Patient compensation funds in **New Mexico** and **Wisconsin** since 2002 and 2007, respectively.

# Key Findings: Expected Cost of the Trust

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- Maryland can expect between 0.9 and 1.0 claims per 10,000 live births, or a total of about 6.8 qualifying births annually.
- Present value of lifetime benefits in Maryland as currently proposed would be between \$2.87 million and \$3.27 million per claim.
- **Total expected costs for the Infant Lifetime Care Trust under the current bill are therefore \$22.5 million:**
  - Accrued annual benefits costs of \$18.4 - 23.2 million
  - Overall operational expenses estimated at \$750,000 annually
  - \$1.0 million per year as a grant designated for improving maternal and fetal outcomes in the state

# Key Findings: Funding the Trust

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- The Trust is funded on accrual basis by an estimated \$22.5 million HSCRC assessment on hospital rates, based on an annual actuarial report evaluating projected liabilities.
- The total cost of the Maryland Infant Lifetime Care would be only 0.14% of total hospital revenue (or 2.6% of OB revenue).
- The Trust will generate significant savings for Maryland's overall healthcare system over time.

# Conclusion

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- Bill HB1563 provides a reasonable, appropriate and actuarially sound approach to funding the Trust on an accrual basis.
- State General Fund Medicaid will be minimally impacted in early years and ultimately accrue savings in the long term.
- Trust benefits will be paid as incurred, not estimated as part of a one-time lump sum.
- Guaranteed lifetime care will be provided to families once enrolled in the Trust.
- Virginia Birth Fund has over \$462 million in assets available to pay claims compared to \$16-20 million in annual paid benefits
- New York Medical Indemnity Fund has an intentional unfunded liability of over \$900 million as its legislative intent was to be a “pay as you go” program similar to Social Security

# Thank You for Your Attention

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