Maryland Health Benefit Exchange

Presentation to the Joint Republican Caucus

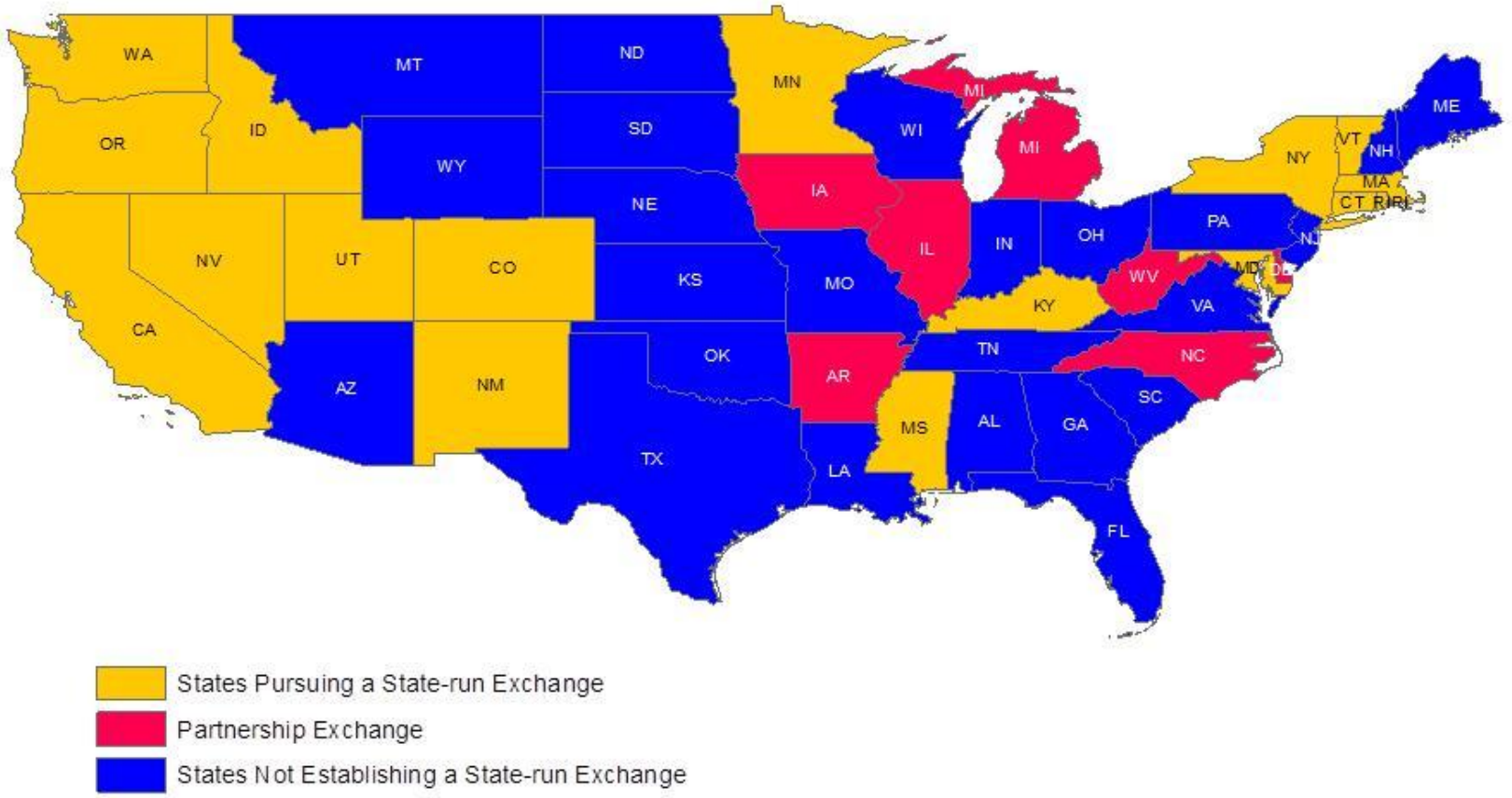
Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

January 2013

Health Benefit Exchanges

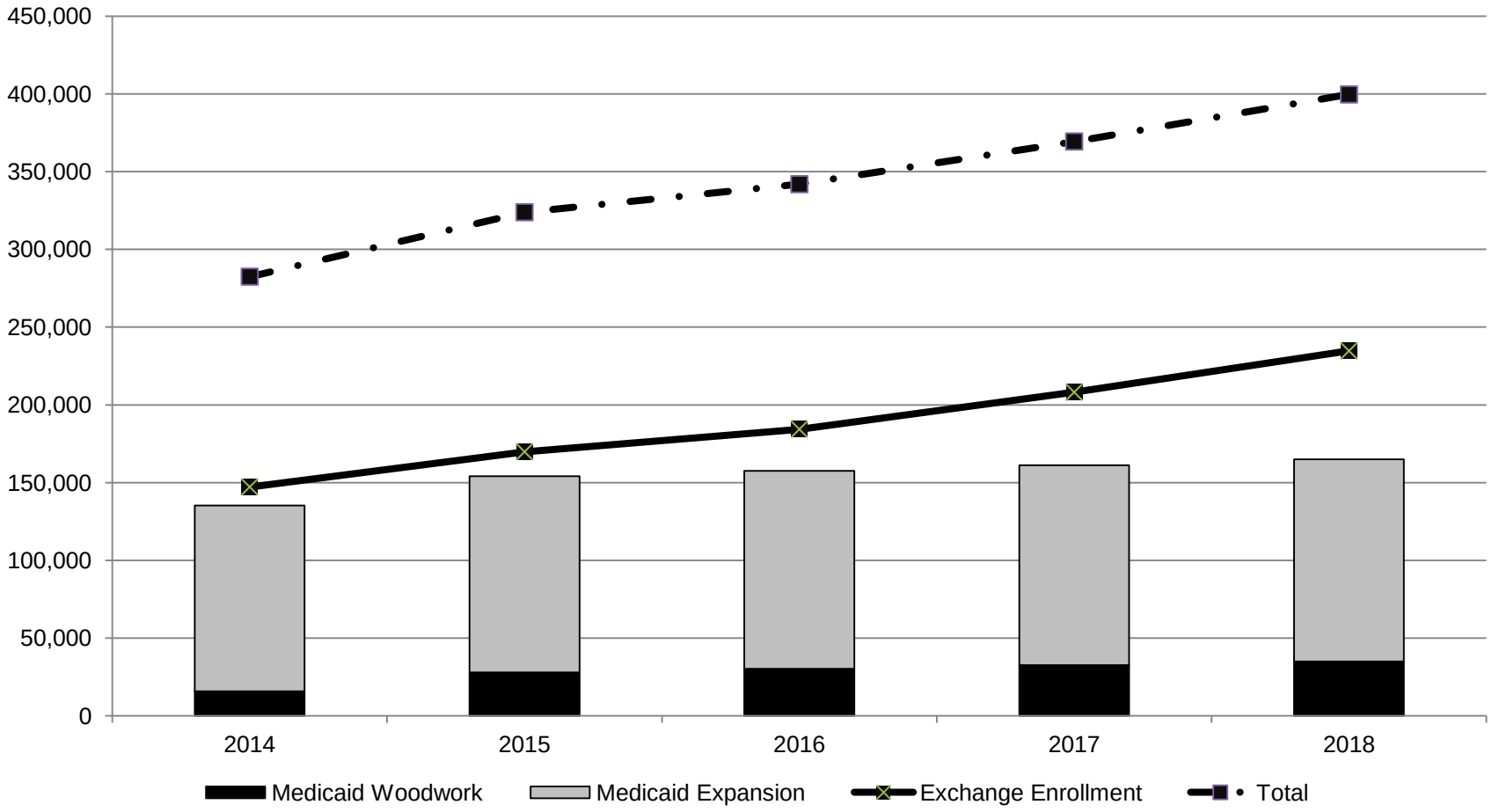
- The federal Patient Protection and Affordable Care Act (ACA) of 2010 includes a provision for the creation of state health benefit exchanges.
- The role of the exchange is to provide a marketplace for individuals and small businesses to purchase affordable health coverage.
- The exchange was modeled on the Massachusetts Health Connector.
- Exchanges must be open for enrollment October 1, 2013, and be functional on January 1, 2014.
- States have three options for exchange development: State-operated exchanges; partnership exchanges with the federal government; and federally facilitated exchanges.
- The Maryland Health Benefit Exchange was created by Chapters 1 and 2 of 2011.

State Health Exchange Decisions December 2012

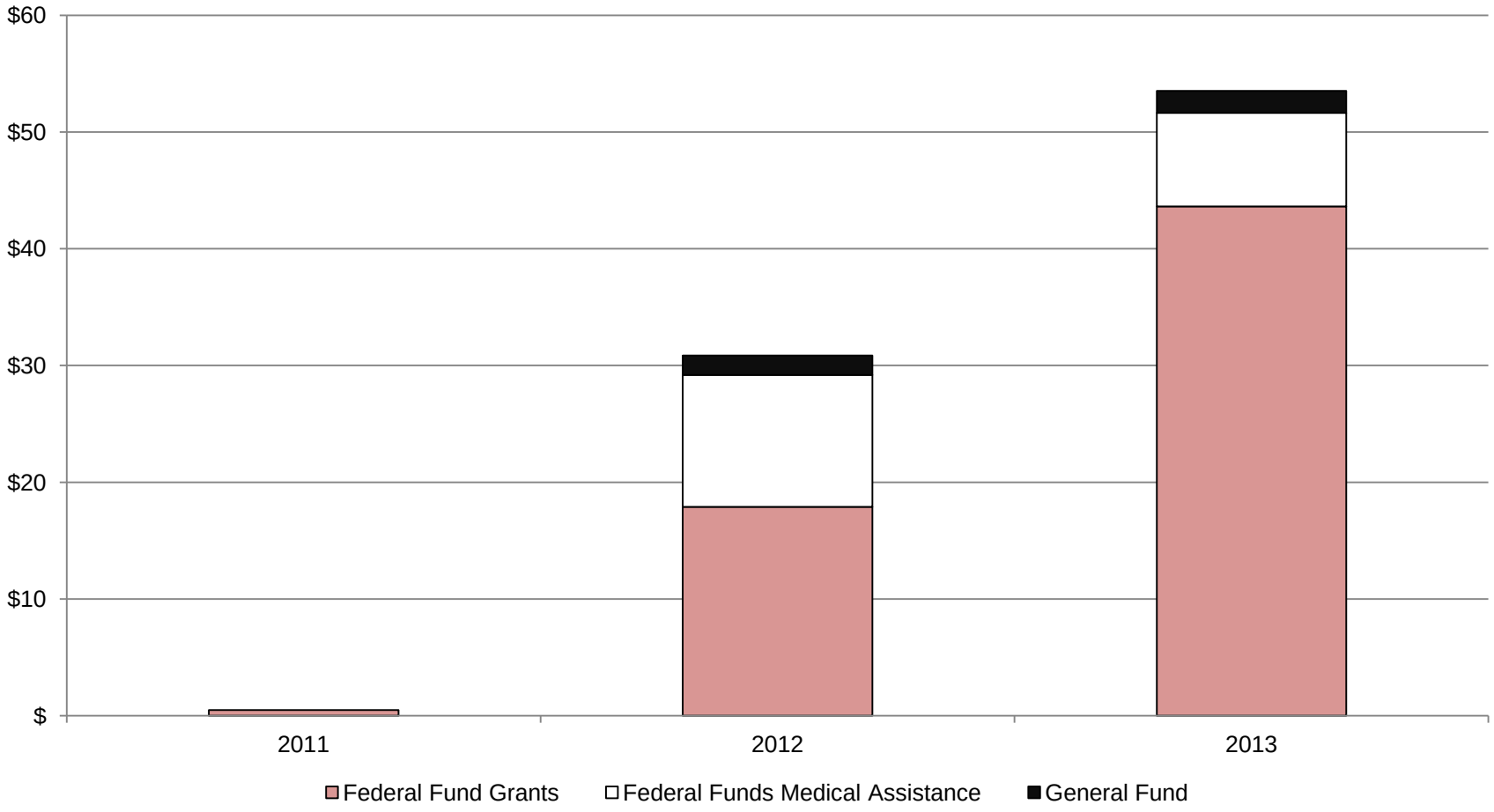


* Alaska is not establishing a State-run Exchange, Hawaii is pursuing a State-run Exchange

Estimated Exchange and Medicaid Expansion Enrollment: Fiscal 2014-2018



Maryland Health Benefit Exchange Funding: Fiscal 2011-2013



Maryland Health Benefit Exchange: Out-year Funding

- Fiscal 2014 and partial fiscal 2015 funding will primarily be covered by federal grants and federal Medicaid funding.

- State exposure is limited to matching Medicaid funds and operating expenses not covered by federal grants.

- Beginning in calendar 2015, the expectation is that the exchange must be self-financed (conversion to nonprofit is another option).

- While Medicaid support will continue based on benefits to that program derived from exchange operations, an estimated $35 million in non-Medicaid financing support is needed.

Health Exchange Eligibility System (HIX)

- HIX is the information technology (IT) system that will determine eligibility determination for both Medicaid and also financial incentives available through the exchange.

- Long-term planning includes using the HIX as the gateway for other social service programs.

- Identifiable risks include project timelines; interoperability with existing State IT systems (eight initially); interoperability with the federal data hub; and long-term funding.

- The fall-back position if HIX is inoperable is to rely on the federal government to determine eligibility.

- The exchange is moving ahead with other components of HIX including the Small Business Health Options Program (SHOP) Exchange.

Exchange Implementation

- The exchange:
  - adopted standards for health plans offered through the exchange; each insurance carrier may offer up to four plans per metal level (bronze, silver, gold);
  - established a framework for the Navigator Program to help individuals and small businesses choose the insurance plan right for them;
  - established procedures for small businesses providing insurance to employees through the SHOP Exchange; businesses may select a metal level or a carrier for employees to choose a health plan, as well as a defined employer contribution;

Exchange Implementation (Cont.)

- developed marketing, advertising, and outreach approaches; the consumer face of the exchange is the Maryland Health Connection;

- is working with the Department of Health and Mental Hygiene on a fraud, waste, and abuse plan; and

- obtained federal conditional certification in December.

Exchange Financing

- ACA requires state-based exchanges to be self-sustaining by January 1, 2015.

- Chapter 152 of 2012 established the Joint Committee on Exchange Financing to make recommendations on a financing mechanism.

- The committee recommended a hybrid approach with more than one revenue stream and separate allocation of fixed and variable costs.

- Fixed costs, representing 61% of total, should be financed through an assessment on large group insurance and an increase in cigarette tax; a modest assessment on health care practitioners could also be considered.

Exchange Financing (Cont.)

- Variable costs, representing 39% of total, should be financed through an assessment on individual and small group insurance.

- The committee recommended that hospital assessment not be considered, due to concerns about status of State's Medicare waiver.

- Legislation to determine the financing mechanism will be considered at the 2013 session.

Anticipated 2013 Legislation

- In addition to exchange financing, legislation will include:
  - expanding Medicaid eligibility to 138% of poverty;
  - bringing health insurance law into ACA compliance;
  - addressing the future of the Maryland Health Insurance Plan and the small employer subsidy program; and
  - possible exchange clean-up.

ACA: New Medicaid Spending and Exchange Subsidies