



Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Robert R. Neall, Secretary

February 19, 2020

The Honorable Delores G. Kelley, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401-1991

RE: SB 228 – Public Health – Commission on Universal Health Care – Letter of Information

Dear Chair Kelley and Committee Members:

The Maryland Department of Health (Department) respectfully submits this letter of information to Senate Bill 228 (SB 228).

The State of Maryland is committed to delivering two substantial and consensus health care transformational projects over the next few years: the Total Cost of Care Model and the State Reinsurance Program. Failure of either project is not an option as it would deal a critical blow to the Maryland health care system. Should SB 228 be passed, it would likely invite federal scrutiny and jeopardize the Total Cost of Care Model agreement, and thereby threaten the foundation of Maryland's health care financing system. Similarly, our State Reinsurance Program is currently viewed as a national model for state innovation by the federal government.

Rather than divert our attention and resources toward efforts that will require, and likely not receive, new federal approval, the Department respectfully suggests that we should proceed on the previously agreed-upon consensus efforts to deliver health care change to Maryland. In addition, we suggest that the General Assembly has already set up the mechanism and forum to discuss the intent of SB 228 under the General Assembly's Health Insurance Consumer Protections Workgroup of which the Vice-Chair is a co-chair.

In July 2018, the Governor, the House Speaker, and the Senate President signed an agreement with the federal government to implement the Total Cost of Care Model. After two years of hard negotiations with virtually the entire continuum of Maryland's health care stakeholders and the new federal administration, Maryland has a roadmap for the next ten years. The Total Cost of Care Model expands Maryland's cost commitment to total system savings of \$300 million per year by 2023 and has a second five-year contract extension. The Total Cost of Care Model began on January 1, 2019.

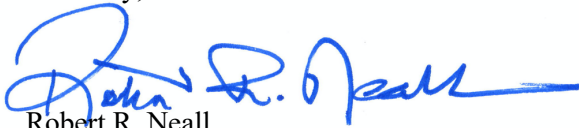
The 2018 General Assembly and Governor Hogan worked together on a bi-partisan basis to pass two critical pieces of legislation – HB 1795 and SB 387 – to create and fund the claims-based State Reinsurance Program. Through the State Reinsurance Program and the hard work of our colleagues at the Maryland Insurance Administration and MHBE, Maryland delivered a net reduction in health insurance premiums for 2019 by an average of 13.2 percent. Maryland's State Reinsurance Program has adequate funds from last year's action for 2020, 2021, and, we believe, 2022. For 2019, while most markets lost enrollees across the country, Maryland's individual market grew 26 percent above estimates and made gains in key groups. In 2020, Maryland decreased individual health insurance plans by an average of

10.3%. We are working with key stakeholders to (1) bring in more insurance carriers into the individual market and (2) to ensure that the issue of high-deductible plans is mitigated.

The Hogan Administration and the Department remain committed to working together with the House and Senate to find short-term and long-term solutions to the structural health care issues with which we are faced.

I hope this information is useful. If you would like to discuss this further, please contact Director of Governmental Affairs Webster Ye at (410) 260-3190 or webster.ye@maryland.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert R. Neall", with a long horizontal flourish extending to the right.

Robert R. Neall
Secretary