

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 195 (Delegate Pena-Melnyk)
Health and Government Operations

State Employee and Retiree Health and Welfare Benefits Program - Health Benefits - Required Participation in the Individual Exchange by Carriers

This bill prohibits a health insurer, nonprofit health service plan, health maintenance organization, or dental plan organization (collectively known as carriers) from offering benefits under the State Employee and Retiree Health and Welfare Benefits Program unless the carrier also offers qualified health plans (QHPs) in the individual exchange of the Maryland Health Benefit Exchange (MHBE), with specified exceptions. **The bill takes effect January 1, 2021, and applies to all health benefits offered under the program on or after that date.**

Fiscal Summary

State Effect: To the extent the bill reduces competition among carriers seeking to offer benefits under the State Employee and Retiree Health and Welfare Benefits Program, expenditures for the program likely increase by an indeterminate amount beginning in FY 2021. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: A carrier is exempt from the bill's requirement if (1) the reported total aggregate annual earned premium for the carrier and other carriers in the same insurance holding company system is less than \$10.0 million (or an amount specified in regulation) *or* the only benefits the carrier offers in the State are through student health plans and

(2) the Insurance Commissioner determines that the carrier qualifies for the exemption. The Secretary of Budget and Management must adopt regulations establishing procedures for a carrier to submit evidence each year that the carrier qualifies for the exemption. If a carrier ceases to meet the requirements for the exemption, the carrier must immediately provide the Secretary with notice and a plan for compliance.

The Secretary, in consultation with MHBE, may assess the impact of the exemption and alter the limit on the total aggregate earned premium below which a carrier may qualify for an exemption. If so, the Secretary must adopt the new limit by regulation.

During any year in which MHBE employs alternative contracting options and active purchasing strategies, the bill's requirement must be suspended.

Current Law/Background:

State Employee and Retiree Health and Welfare Benefits Program

The program offers medical, prescription, and dental plans to active and satellite employees and State retirees, as well as flexible spending accounts, term life insurance, and accidental death and dismemberment plans. In fiscal 2019, the program provided medical plan coverage to 124,519 employees and retirees, prescription coverage to 116,306 employees and retirees, and dental coverage to 114,242 employees and retirees. Projected fiscal 2020 expenditures for the program are just under \$1.6 billion.

For calendar 2020, the program offers five medical plans from three carriers (CareFirst BlueCross BlueShield, Kaiser Permanente, and United Healthcare) and two dental plans from two dental carriers (Delta Dental and United Concordia).

Individual Exchange

More than 156,000 individuals were enrolled in a QHP plan through MHBE as of December 31, 2019. Enrollees can generally select a plan from one of four metal levels (bronze, silver, gold, or platinum), each of which covers a different percentage of medical expenses. The vast majority of MHBE enrollees (77%) receive a federal advanced premium tax credit (APTC) to help pay their monthly premiums. An APTC is available to individuals with incomes between 100% and 400% of federal poverty guidelines. For calendar 2019, the estimated value of APTCs statewide is \$676 million.

For calendar 2019, individual market premium rates approved by the Maryland Insurance Administration, reflecting the anticipated impact of the State Reinsurance Program, declined by an overall 13.2%. For calendar 2020, approved rates fell an additional 10.3%. Although premiums have decreased for the second year in a row, they remain high, and

deductibles and out-of-pocket expenses continue to increase. Affordability is particularly an issue for individuals who do not receive an APTC.

When the individual exchange first opened in 2014, a total of six carriers participated, peaking at eight carriers in 2015 and 2016, before declining to five carriers in 2017. Only two carriers (CareFirst BlueCross BlueShield and Kaiser Permanente) have participated since 2018. For calendar 2020, four dental carriers participate in the individual exchange (Alpha Dental Programs, Inc.; CareFirst BlueCross BlueShield; Dominion Dental Services, Inc.; and Delta Dental of Pennsylvania). The bill is intended to increase competition among carriers participating in the individual exchange with the potential to reduce premium rates.

State Fiscal Effect: The Department of Budget and Management (DBM) advises that requiring carriers to offer plans in the individual exchange as a condition of offering benefits under the State Employee and Retiree Health and Welfare Benefits Program will limit competition and, thus, DBM's options when procuring contracts. This is likely to increase expenditures for the program and potentially rates for employees and retirees, and it may also reduce choice among the medical and dental plans offered.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 12, 2020
mm/ljm

Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510