



Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc  
2101 East Jefferson Street  
Rockville, Maryland 20852

March 3, 2021

The Honorable Guy Guzzone  
Senate Finance Committee  
3 West, Miller Senate Office Building  
11 Bladen Street  
Annapolis, Maryland 21401

**RE: SB 493 – Letter of Concern**

Dear Chair Guzzone and Members of the Committee:

Kaiser Permanente appreciates the opportunity to provide comments on SB 493, “Budget Reconciliation and Financing Act of 2021.” We believe the proposal needs to be amended to address the concerns outlined below.

Kaiser Permanente is the largest private integrated health care delivery system in the United States, delivering health care to over 12 million members in eight states and the District of Columbia.<sup>1</sup> Kaiser Permanente of the Mid-Atlantic States, which operates in Maryland, provides and coordinates complete health care services for approximately 775,000 members. In Maryland, we deliver care to over 450,000 members.

Kaiser Permanente is concerned about the proposal to transfer funds from the State Reinsurance Program and about the proposed cut to the operating budget of the Maryland Health Benefit Exchange.

**State Reinsurance Program**

The Reinsurance Program is designed to mitigate the impact of high costs to enrollees on the insurance rates of carriers that participate in the individual market and stabilize enrollee premiums while also leveraging federal dollars to provide coverage to Maryland residents. The Maryland Health Benefit Exchange has estimated that the Program has substantially reduced premiums and increased enrollment in the individual market, as described on the attached slides.

**BRFA Proposal:** The 2021 BRFA proposes to transfer \$100 million of the funds collected from the reinsurance assessment to Medical Care Provider Reimbursements (M00Q01.03) within the Medical Care Programs Administration of the Maryland Department of Health. ([SB 493 p. 16](#)).

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<sup>1</sup> Kaiser Permanente comprises Kaiser Foundation Health Plan, Inc., the nation’s largest not-for-profit health plan, and its health plan subsidiaries outside California and Hawaii; the not-for-profit Kaiser Foundation Hospitals, which operates 39 hospitals and over 650 other clinical facilities; and the Permanente Medical Groups, self-governed physician group practices that exclusively contract with Kaiser Foundation Health Plan and its health plan subsidiaries to meet the health needs of Kaiser Permanente’s members.

Kaiser Permanente supports a robust Medicaid program, which helps sustain the state's entire healthcare system, but is concerned about the use of this funding source for this purpose.

**Kaiser Permanente Concerns:**

- **The BRFA proposes to transfer funds that the State is unable to collect in 2024 to 2026:** The reinsurance assessment is in effect through 2023, in alignment with Maryland's § 1332 State Innovation Waiver. The Waiver provides Maryland's authority to administer the Reinsurance Program, and the State would need to seek renewal through CMS to continue the Reinsurance Program past 2023.
- **Medicaid likely cannot claim a federal match on funds transferred from the reinsurance assessment:** The federal government matches funds to states for qualifying Medicaid expenditures; however, this may exclude revenues collected from this tax source since they are already matched with federal Medicaid dollars.
- **Moving these funds may endanger the Reinsurance Program when enrollees need it most:** Diverting funds to Medicaid may shorten the lifespan of the current Reinsurance Program while the state's individual market is growing, precisely when the program is needed most.
- **The Reinsurance Program should be evaluated before a transfer is considered:** We believe the General Assembly needs to understand the impacts to the Reinsurance Program and the 1332 Waiver before acting and should consult both the Attorney General and federal regulators to be assured that funding will be available for the continuation of the program.

The General Assembly should reject the proposed transfer and consider alternative funding sources for Medicaid to the extent that's needed. Kaiser Permanente recognizes the significant budget challenges the state faces in light of the pandemic. However, we believe that reducing or otherwise jeopardizing funding for health care services and coverage during this public health emergency is concerning and unwise.

**Maryland Health Benefit Exchange Operating Budget**

The Maryland Health Benefit Exchange was established in 2011 after the passage of the federal Affordable Care Act to (1) facilitate the purchase and sale of qualified health plans in the individual market; and (2) assist qualified employers in facilitating the enrollment of their employees in qualified health plans in the small group market. The Exchange also assists individuals in accessing public programs like Medicaid, premium tax credits, and cost-sharing reductions for commercial health insurance.

**BRFA Proposal:** The 2021 BRFA proposes to reduce the operating budget of the Exchange from not less than \$35 million to \$32 million in FY 22 and each fiscal year thereafter.

Kaiser Permanente  
Comments on SB 493  
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**Kaiser Permanente Concerns:** Kaiser Permanente notes that enrollment in both Medicaid and the individual market has grown considerably since the start of the pandemic due to many Marylanders losing employment (and thus employer-sponsored health coverage), and the Exchange has played a critical role in transitioning those individuals to other coverage. To that end, we believe it's unwise to cut the Agency's operating budget at this time and urge the General Assembly to reject the proposed cut.

Thank you for the opportunity to comment. Please feel free to contact Allison Taylor at [Allison.W.Taylor@kp.org](mailto:Allison.W.Taylor@kp.org) or (202) 924-7496 with questions.

Sincerely,

A handwritten signature in cursive script that reads "Allison Taylor".

Allison Taylor  
Director of Government Relations  
Kaiser Foundation Health Plan of Mid-Atlantic States, Inc.

# State Reinsurance Program Update

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Michele Eberle, Executive Director  
Johanna Fabian-Marks, Director of Policy & Plan Management  
Maryland Health Benefit Exchange

September 14, 2020

# Estimated Effect of the Reinsurance Program on 2020 Premiums

Rate Impact of the Reinsurance Program by carrier.\*

Carrier (Network)	Enrollment (on/off MHC)	2020 Rate Change (w/o Reinsurance)	2020 Rate Change (w/ Reinsurance)
CareFirst (HMO)	130,642	11.8%	-14.7%
CareFirst (PPO)	11,665	65.3%	-1.4%
Kaiser Permanente (HMO)	64,792	23.8%	-5.0%
Total	207,099	19.6%	-10.3%

\*Data as of 4/30/20 provided by the MIA

# Estimated Effect of the Reinsurance Program on 2020 Enrollment

Without the reinsurance program, individual market enrollment would have been an estimated 10 percent lower.

Scenario	Subsidized Enrollment	Unsubsidized Enrollment	Total Enrollment
2020 Estimate w/o Reinsurance	111,401	61,983	173,384
2020 Estimate w/ Reinsurance	111,401	81,568	192,969
Difference w/o Reinsurance	-	-24%	-10%
Actual 2020 Enrollment (as of end of open enrollment)	124,541	90,943	215,484