



The Honorable Edward J. Kasemeyer
Chair
Senate Budget and Taxation Committee
3 West Miller Senate Building
Annapolis, MD 21401-1991

The Honorable Norman H. Conway
Chair
House Appropriations Committee
121 House Office Building
Annapolis, MD 21401-1991

Re: 2013 Joint Chairmen's Report, Page 22, Budget Code D79
Report on the State Reinsurance Program

Dear Chair Kasemeyer and Chair Conway,

Pursuant to page 22 of the Joint Chairmen's Report of 2013, the Maryland Health Benefit Exchange (MHBE) and the Maryland Health Insurance Plan (MHIP) respectfully submit the attached report on the State Reinsurance Program. Specifically, the Joint Chairmen's Report requested that the Budget Committees be provided with a general outline of how a State Reinsurance Program (SRP) will operate, how it will interact with the federal reinsurance program lasting from January 2014 to January 2016, if the SRP will need to continue past 2016, how much reinsurance is expected to cost, and where funding will come from if the MHIP fund balance and hospital assessment revenue are not sufficient. If you have any questions regarding this report, please contact Michele Eberle, MHIP Executive Director, at (410) 576-2056.

Sincerely,

A handwritten signature in black ink, appearing to read "Rebecca Pearce".

Rebecca Pearce, Executive Director
Maryland Health Benefit Exchange

A handwritten signature in black ink, appearing to read "Michele Eberle".

Michele Eberle, Executive Director
Maryland Health Insurance Plan

Enclosure

Cc: Carolyn Quattrocki, Governor's Office of Health Care Reform
Cheri Gerard, Office of Budget Analysis
Frank Kolb, Maryland Health Benefit Exchange
Marie Grant, Office of Governmental Affairs

MHBE and MHIP Joint Chairman's Report
Preliminary Plans for a State Reinsurance Program

Maryland State Administered Federal Transitional Reinsurance Program

As authorized in Insurance Article §31-117(c), Annotated Code of Maryland, the State of Maryland has elected to administer a Transitional Reinsurance Program as provided for under Section 1341 of the Affordable care Act (ACA) and subsequent federal regulations under 45 C.F.R. 153, and has designated the Maryland Health Benefit Exchange (MHBE) to serve as the Reinsurance Oversight Entity for the State of Maryland.

The state administered Federal Transitional Reinsurance Program will operate under the guidance of MHBE for plan benefit years 2014 through 2016. As administrator, MHBE will collect quarterly and annual claim summary reports from issuers of reinsurance-eligible plans, report requests for recovery quarterly and annually to United States Department of Health and Human Services (HHS), conduct a year end audit of recovery requests, collect payments from HHS and distribute to eligible issuers of reinsurance-eligible plans.

In addition to administering the Federal Transitional Reinsurance Program, the Maryland Health Progress Act (MHPA) created the flexibility for Maryland to develop a state wrap-around reinsurance program to mitigate the rate impact of high-risk individuals entering the individual market. MHBE is required to submit to carriers a Notice of Benefit and Payment Parameters detailing any modification to the Federal Transitional Reinsurance parameters annually. This notice was sent to carriers on April 10, 2013 indicating no parameter modifications would be made for Benefit Year 2014.

MHBE has engaged the services of The Hilltop Institute to analyze state options related to the development of program parameters, estimate the impact of program parameters on non-group pricing, and determine the required contribution level necessary to support chosen benefit parameters. It is expected that this analysis will be complete by February 2014. Until this analysis is complete, MHBE is unable to determine how much reinsurance is expected to cost.

MHBE and the Maryland Health Insurance Plan (MHIP) are also interested in considering ways to supplement or complement the ACA-required Transitional Reinsurance program to ensure affordable care and continued reduction in uncompensated care. The Hilltop Institute has been asked to analyze state options for other ways to supplement the Federal Transitional Reinsurance program such as possible premium and/or cost sharing subsidy options, and determine the required funding level necessary to support alternate options. This analysis is expected to be complete by December 2013.

MHBE and MHIP will gladly provide an updated report to the Joint Chairmen upon completion of analysis by The Hilltop Institute.