Governor's FY 2016 Budget: Articles

Staff Presentation to the House Finance Committee April 29, 2015

Introduction

- Article 28 Health Reform Assessment
- New Article Job Development Fund

Health Benefits Exchange

Background and Implementation

- Patient Protection and Affordable Care Act of 2010
 - Also called ACA, Obamacare
- Aims at decreasing the number of uninsured individuals
- Requires that all individuals have medical coverage or pay a penalty

Exchange: Background & Implementation

- Marketplace for individuals and small businesses can compare policies and premiums, and purchase health insurance
 - Individual/Families
 - Small Businesses Employer

Exchange: Background & Implementation

- State-Based Exchange
 - Operate its own health exchange and perform all related activities – 16 states and Washington D.C. opted for this
- State-Federal Partnership
 - Shared responsibilities and states will manage certain aspects – 7 states
 - States would be responsible for financing functions that they are managing
 - Small Business Health Options Program (SHOP)

Exchange: Background & Implementation

- Federally-Facilitated Exchange
 - HHS assumes primary responsibilities 27 states
 - Federal government determines the sources and methods for financing
 - Currently charges 3.5 % of value of premiums written through the exchange

Exchange: Background & Implementation

- Federally-Facilitated Exchange
 - Cost for a plan offered by insurer in/out of exchange must be the same
 - Fee assessment is not an add-on to exchange plans
 - Spread across all plans
 - If fee assessment is just on exchange:
 - Limited pool
 - Exchanges would be at a disadvantage

Exchange: Background & Implementation

13 states and DC that opted to operate exchanges have funding mechanism

| Assessment only on plans offered through marketplace | California, Hawaii, Idaho, Massachusetts, Minnesota, Nevada, Oregon & Washington | |
|--|--|---|
| Assessment on plans inside/outside of marketplace | Colorado, Connecticut, DC, Kentucky and Maryland | |
| State appropriation | New York | |
| Not Finalized | New Mexico, Rhode Island & Vermont | |
| Source: Commonwealth Fu | und | 8 |

Exchange: Background & Implementation

- Through Dec. 2014, HealthSource RI received \$152.6 million in federal funds
 - Planning, establishment & initial operations of Exchange through Dec. 31, 2014
 - Approval from CMS to extend use for system design and development only
 - Cannot be used for operations
- Affordable Care Act requires that exchanges be self-sustaining
 - Allows exchanges to charge assessments or user fees or other fees like advertising

Article 28 – Health Reform Assessment

- Governor includes Article 28, which establishes a health reform assessment
 - Administered by Secretary of Health & Human Services
 - Effective Jan. 1, 2016
 - Assessment is on all premiums sold inside/outside of exchange from small group and individual markets
 - Estimated to generate \$11.8 million in CY 2016 and \$11.2 million in SFY 2017
 - Budget assumes use of \$6.2 million in FY 2016

10

- Secretary of Health & Human Services to determine separate rates for small employer and individual markets
 - Total assessment imposed must be equal to the budget for Exchange
 - Must be expressed as a percentage of premium

Enrollment – Total Market

| HealthSource Enrollment and Market Share Estimates | | | | | | | | |
|--|------------------|--------|--------|--------|-------------|-------|--|--|
| | Individual Group | | | Si | Small Group | | | |
| | Total | HSRI | Share | Total | HSRI | Share | | |
| 2015 | 36,298 | 30,001 | 82.7% | 62,625 | 3,282 | 5.2% | | |
| 2016 | 39,034 | 31,866 | 81.6% | 62,625 | 10,515 | 16.8% | | |
| Diff | 2,736 | 1,865 | (1.0%) | - | 7,233 | 11.6% | | |
| % chg. | 7.5% | 6.2% | (1.2%) | - | 220% | 223% | | |
| 2017 | 41,892 | 34,724 | 82.8% | 62,625 | 14,515 | 23.2% | | |
| Diff | 2,858 | 2,858 | 1.2% | - | 4,000 | 6.4% | | |
| % chg. | 7.3% | 9.0% | 1.5% | - | 38.0% | 27.6% | | |
| *Exchange's projection | | | | | | | | |

| Exch. Projected Enrollment | Projected Avg. Mthly Premiums | Annual Premiums (in millions) |
|----------------------------------|--|---|
| 31,866 | \$369 | \$141.1 |
| 10,515 | \$492 | \$62.1 |
| 42,381 | | \$203.2 |
| | | |
| d Marketplac | e | |
| t | | \$7.1 million |
| | Projected Enrollment 31,866 10,515 42,381 d Marketplac | Projected EnrollmentAvg. Mthly Premiums31,866\$36910,515\$49242,381 |

Article 28 – Health Reform Assessment

| CY 2016 | Projected Avg. Mthly. Premiums | Total Market Enroll | Total Market Premium (in millions) | Art. 28 Proposed Asess. |
|----------------------------------|---|---------------------------|---|-------------------------------|
| Ind. Group | \$369 | 39,034 | \$172.8 | 4.74% |
| Small Group | \$492 | 62,625 | \$369.7 | 0.98% |
| Total | | 101,659 | \$542.6 | |
| Federal Facilitated Marketplace | | | | |
| 3.5% Equivalent | | | | 1 Million |
| Spread Across Total market prem. | | | n. \$542. | 6 million |
| Effective ra | ate | | | 1.31% |

| Exch. Projected Enrollment | Projected Avg. Mthly Premiums | Annual Premiums (in millions) | |
|----------------------------------|--|---|--|
| 34,724 | \$380 | \$158.4 | |
| 14,515 | \$507 | \$88.3 | |
| 49,239 | | \$246.6 | |
| | | | |
| Federal Facilitated Marketplace | | | |
| nt | | \$8.6 million | |
| | Projected Enrollment 34,724 14,515 49,239 ed Marketplac | Projected EnrollmentAvg. Mthly Premiums34,724\$38014,515\$50749,239 | |

Article 28 – Health Reform Assessment

| SFY 2017 | Projected Avg. Mthly. Premiums | Total Market Enroll | Total Market Premium (in millions) | Article 28 Proposed Assess. |
|----------------------------------|--------------------------------------|---------------------------|---|-----------------------------------|
| Ind. Group | \$380 | 41,892 | \$191.1 | 3.76% |
| Small Group | \$507 | 62,625 | \$380.8 | 1.05% |
| Total | | 104,517 | \$571.9 | |
| Federal Facilitated Marketplace | | | | |
| 3.5% Ass | \$8. | 6 Million | | |
| Spread Across Total market prem. | | | | 9 million |
| Effective | rate | | | 1.51% |

Other Costs

- HealthSource has identified other costs if state were to join federal marketplace
 - \$2.7 million to transition (two yrs.)
 - \$0.2 million UHIP operational costs would be incurred by OHHS (annual)
 - Unknown costs:
 - Pay back all federal funds received???
 - Small employer options would be limited
 - HealthSource offers full choice federal does not

17

State vs. Fed. Facilitated

| Premium \$11.2 \$8. assessment 2. |
|--------------------------------------|
| |
| |
| Ongoing state 0. costs |
| Total \$11.2 \$11. |

- Payments from insurers would be due on last day of January, April, July and October
- If insurers are delinquent more than 30 days
 - Authorizes Exchange to set-off amount against any payments due to insurance carrier
- Article takes effect on July 1, 2015

King v. Burwell

- Constitutionally of using premium tax credits in federal facilitated marketplace
 - Does not impact state facilitated marketplaces
- Federal Facilitated Marketplace
 - 7.5 million people enrolled in federal facilitated marketplace receive use tax credits
 - Supreme Court decision June/July

20

- Allows the appropriation of funds remaining after state's unemployment loans are repaid to be used towards new IT system for unemployment in DLT
 - Current law requires all remaining funds be deposited into Trust Fund to pay benefits



- States finance unemployment benefits through taxes levied on employers
 - There are no taxes on employees in RI
- Revenues collected from state UI taxes are managed in a trust fund, administered at the federal level

22

Unemployment Insurance Background

- 2010 Assembly converted the 0.3% insolvency surtax to a 0.3% tax assessment
 - Assessment used for benefits & interest on loans
 - Added 0.3% to the 0.21% job development fund assessment employers already paid
- 2013 Assembly:
 - Sunset the assessment after UI loans are repaid
 - Mandated remaining balance from assessment go into Trust Fund for payment of benefits

23

24

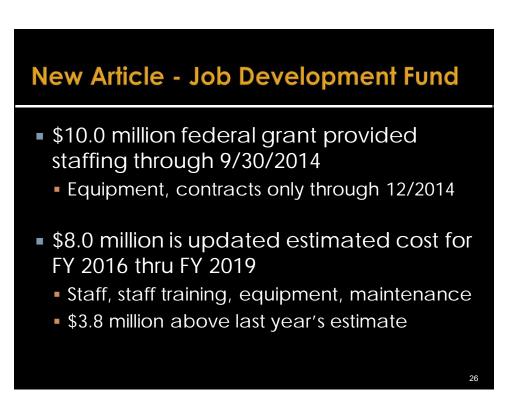
Job Development Fund Assessment

| JDF Assessment | | Purpose of the Assessment |
|-------------------|-------|--|
| 0.21% | 0.02% | Core operations of UI and Job Services programs |
| 0.21% | 0.19% | Funds Governor's Workforce Board: grants, staff, operations |
| Temporary 0.3% | | Principal and interest on state's UI loans (instead of insolvency surtax) |

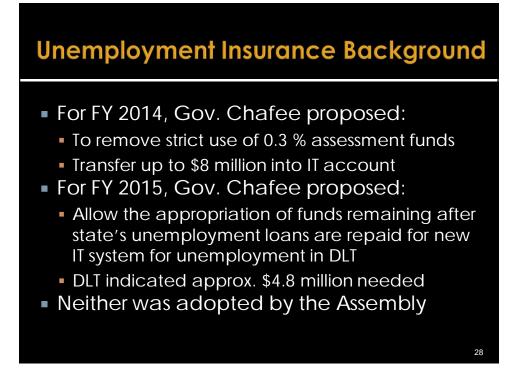
- Current tax & benefit system is 25 years old
- RI is part of 3 state consortium
 - Mississippi is the lead, Maine
- Consortium awarded \$90 M for new system
 - \$60 million for the centralized system
 - \$10 million each state's specific program needs

25

 New system based on system in MS, but function in a cloud environment, online



- Department requested \$1.6 million from general revenues for FY 2016
 - Governor provides \$1.6 million from restricted receipts from loan repayment account
- Approx. 8 positions for this program
 - existing staff and vacancies, no added FTEs
- This has been an ongoing issue for DLT



- State owes interest in September 2015
 - Balance since the Sept. 2014 interest payment
 - Currently borrowing for cash flow purposes
 - Loan balance as of April 7: \$6.0 million
- Loans will be repaid in May 2015; interest payment can be made before Sept.
- After payments made, balance transferred to Trust Fund for benefits, under current law

29

30

New Article - Job Development Fund

- Article assumes these funds are available thru FY 2019 for annual appropriations
- Funds not available once in Trust Fund
- Article would provide 4-year delay in transferring remaining funds into benefit account
 - May exhaust entire balance prior to a transfer if expenditures increase

Governor's FY 2016 Budget: Articles

Staff Presentation to the House Finance Committee April 29, 2015