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

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- 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

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State vs. Fed. Facilitated

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

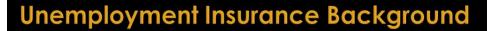
- Payments from insurers would be due on last day of January, April, July and October
- If insurers are delinquent more than 30 days
 - Authorizes Exchange to set-off amount against any payments due to insurance carrier
- Article takes effect on July 1, 2015

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

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- 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

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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

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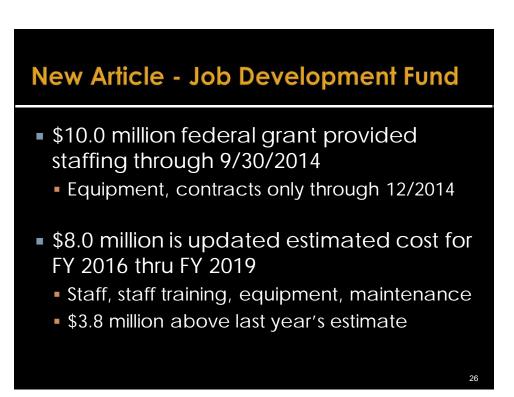
Job Development Fund Assessment

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)

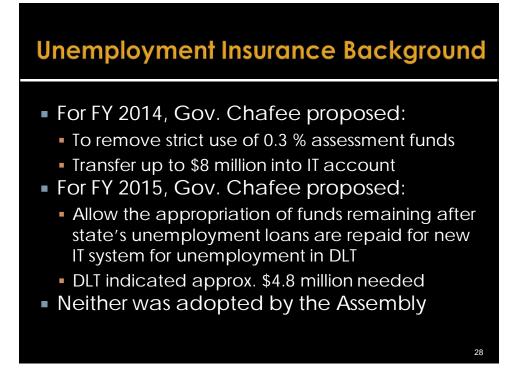
- Current tax & benefit system is 25 years old
- RI is part of 3 state consortium
 - Mississippi is the lead, Maine
- Consortium awarded \$90 M for new system
 - \$60 million for the centralized system
 - \$10 million each state's specific program needs

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 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

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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

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