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)

- **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
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

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 Fund
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
Article 28 – Health Reform Assessment

- 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

<table>
<thead>
<tr>
<th>HealthSource Enrollment and Market Share Estimates</th>
<th>Individual Group</th>
<th>Small Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>HSRI</td>
</tr>
<tr>
<td>2015</td>
<td>36,298</td>
<td>30,001</td>
</tr>
<tr>
<td>2016</td>
<td>39,034</td>
<td>31,866</td>
</tr>
<tr>
<td>Diff</td>
<td>2,736</td>
<td>1,865</td>
</tr>
<tr>
<td>% chg.</td>
<td>7.5%</td>
<td>6.2%</td>
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<tr>
<td>2017</td>
<td>41,892</td>
<td>34,724</td>
</tr>
<tr>
<td>Diff</td>
<td>2,858</td>
<td>2,858</td>
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<tr>
<td>% chg.</td>
<td>7.3%</td>
<td>9.0%</td>
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</table>

*Exchange’s projection
### Article 28 – Health Reform Assessment

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Ind. Group</td>
<td>31,866</td>
<td>$369</td>
<td>$141.1</td>
</tr>
<tr>
<td>Small Group</td>
<td>10,515</td>
<td>$492</td>
<td>$62.1</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>42,381</strong></td>
<td><strong>$203.2</strong></td>
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Federal Facilitated Marketplace

- 3.5% Equivalent
- $7.1 million

### Article 28 – Health Reform Assessment

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<tbody>
<tr>
<td>Ind. Group</td>
<td>$369</td>
<td>39,034</td>
<td>$172.8</td>
<td>4.74%</td>
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<tr>
<td>Small Group</td>
<td>$492</td>
<td>62,625</td>
<td>$369.7</td>
<td>0.98%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$542.6</strong></td>
<td><strong>101,659</strong></td>
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</table>

**Federal Facilitated Marketplace**

- 3.5% Equivalent
- $7.1 Million
- Spread Across Total market prem.
- $542.6 million
- Effective rate
- 1.31%
### Article 28 – Health Reform Assessment

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<tbody>
<tr>
<td>Ind. Group</td>
<td>34,724</td>
<td>$380</td>
<td>$158.4</td>
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<tr>
<td>Small Group</td>
<td>14,515</td>
<td>$507</td>
<td>$88.3</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>49,239</strong></td>
<td></td>
<td><strong>$246.6</strong></td>
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</table>

Federal Facilitated Marketplace

- 3.5% Equivalent: $8.6 million

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<tr>
<td>Ind. Group</td>
<td>$380</td>
<td>41,892</td>
<td>$191.1</td>
<td>3.76%</td>
</tr>
<tr>
<td>Small Group</td>
<td>$507</td>
<td>62,625</td>
<td>$380.8</td>
<td>1.05%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$571.9</strong></td>
<td><strong>104,517</strong></td>
<td><strong>$571.9</strong></td>
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**Federal Facilitated Marketplace**

- 3.5% Assessment: $8.6 Million
- Spread Across Total market prem.: $571.9 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

<table>
<thead>
<tr>
<th>SFY 2017</th>
<th>HealthSource</th>
<th>Fed. Facilitated Marketplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium assessment</td>
<td>$11.2</td>
<td>$8.6</td>
</tr>
<tr>
<td>Transition costs</td>
<td></td>
<td>2.7</td>
</tr>
<tr>
<td>Ongoing state costs</td>
<td></td>
<td>0.2</td>
</tr>
<tr>
<td>Total</td>
<td>$11.2</td>
<td>$11.6</td>
</tr>
</tbody>
</table>
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 against any payments due to insurance carrier. Article takes effect on July 1, 2015.

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.
New Article - Job Development Fund

- 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

Unemployment Insurance Background

- 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
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

Job Development Fund Assessment

<table>
<thead>
<tr>
<th>JDF Assessment</th>
<th>Purpose of the Assessment</th>
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<tbody>
<tr>
<td>0.21%</td>
<td>Core operations of UI and Job Services programs</td>
</tr>
<tr>
<td>0.02%</td>
<td>Funds Governor’s Workforce Board: grants, staff, operations</td>
</tr>
<tr>
<td>0.19%</td>
<td>Principal and interest on state’s UI loans (instead of insolvency surtax)</td>
</tr>
<tr>
<td>Temporary</td>
<td></td>
</tr>
<tr>
<td>0.3%</td>
<td></td>
</tr>
</tbody>
</table>
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
- New system based on system in MS, but function in a cloud environment, online

$10.0 million federal grant provided staffing through 9/30/2014
- Equipment, contracts only through 12/2014

$8.0 million is updated estimated cost for FY 2016 thru FY 2019
- Staff, staff training, equipment, maintenance
- $3.8 million above last year’s estimate
New Article - Job Development Fund

- 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

Unemployment Insurance Background

- For FY 2014, Gov. Chafee proposed:
  - To remove strict use of 0.3% assessment funds
  - Transfer up to $8 million into IT account
- For FY 2015, Gov. Chafee proposed:
  - Allow the appropriation of funds remaining after state’s unemployment loans are repaid for new IT system for unemployment in DLT
  - DLT indicated approx. $4.8 million needed
  - Neither was adopted by the Assembly
New Article - Job Development Fund

- 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

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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