

# Governor's FY 2020 Budget: Articles

Staff Presentation to the House Finance  
Committee  
March 19, 2019

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# Introduction

- Article 5, Section 5
  - Job Development Assessment
- Article 13
  - Minimum Wage
- Article 14
  - Healthcare Market Stability
- Article 16, Section 4
  - Employer Public Assistance Assessment

# Article 5, Section 5 – Job Development Fund

- Unemployment insurance taxes are paid by employers
  - Federal and state component
    - Federal tax used for:
      - Administrative expenses
      - Loans to states when needed to pay benefits
      - Partially reimburse states for extended benefits
    - State tax used solely for benefits

# Article 5, Section 5 – Job Development Fund

- State has 9 tax schedules: A - I
  - Each schedule has 28 tax rate groups
- Schedules based on reserve ratio of fund as of September 30 of prior year
  - Trust Fund balance divided by total wages paid during year = reserve ratio
- Individual rates based on employer's level of reserves

# Article 5, Section 5 – Job Development Fund

- Employers who pay UI taxes also subject to additional 0.21% job development assessment
- Directed to the Job Development Fund
  - Admin. expenses
  - Programs
  - Lost federal funds

Schedule - Level	JDF	UI	Total
H - 3	0.21%	1.29%	1.50%
G - 6	0.21%	1.79%	2.00%
G - 15	0.21%	4.19%	4.40%
F - 5	0.21%	1.29%	1.50%
F - 28	0.21%	9.19%	9.40%

# Article 5, Section 5 – Job Development Fund

- Job Development Fund
  - Under current law, 0.02% of the JDF tax is dedicated to support core services
    - Unemployment insurance
    - Employment services programs
  - Remaining 0.19% is allocated at the discretion of the Governor's Workforce Board
    - Subject to appropriation

# Article 5, Section 5 – Job Development Fund

- Governor's Workforce Board
  - Policy-making body on workforce development
    - 23 members on Board, appointed by Governor
    - 18 members must be from the public
  - Invests in a wide range of programs and services
    - Real Jobs RI, internships, incumbent worker training, continuing adult education

# Article 5, Section 5 – Job Development Fund

- Job Development Fund
  - 2018 Assembly approved one-time adjustment to assessment for calendar year 2019
  - Increases the amount that goes to JDF
    - Usually 0.21%, 0.29% for 2019
    - Employers do not pay additional taxes
  - Total impact - \$6.7 million more for the JDF



# Article 5, Section 5 – Job Development Fund

- Article 5 expands JDF to non-profits with 1,000 or more employees
  - Effective January 2020
  - Estimated to impact 11 employers
    - Approximately \$50 tax per employee
  - Estimated new revenue - \$1.2 million
    - For use for Real Jobs RI
  - New source would partially cover loss of revenue following end of the one-time adjustment

# Article 13 – Minimum Wage

- Increases minimum wage from \$10.50 to \$11.10 per hour
  - Effective January 1, 2020
- 2017 Assembly increased from \$9.60 to \$10.50 per hour
  - Two year increase, full effect January 1, 2019

# Article 13 – Minimum Wage

<b>New England State</b>	<b>Minimum Wage</b>
Connecticut	\$10.10
Maine	\$11.00
Massachusetts	\$12.00
New Hampshire	\$7.25
Rhode Island	\$10.50
Vermont	\$10.78
<i>New England Average</i>	<i>\$10.27</i>
<i>U.S. Average</i>	<i>\$8.77</i>

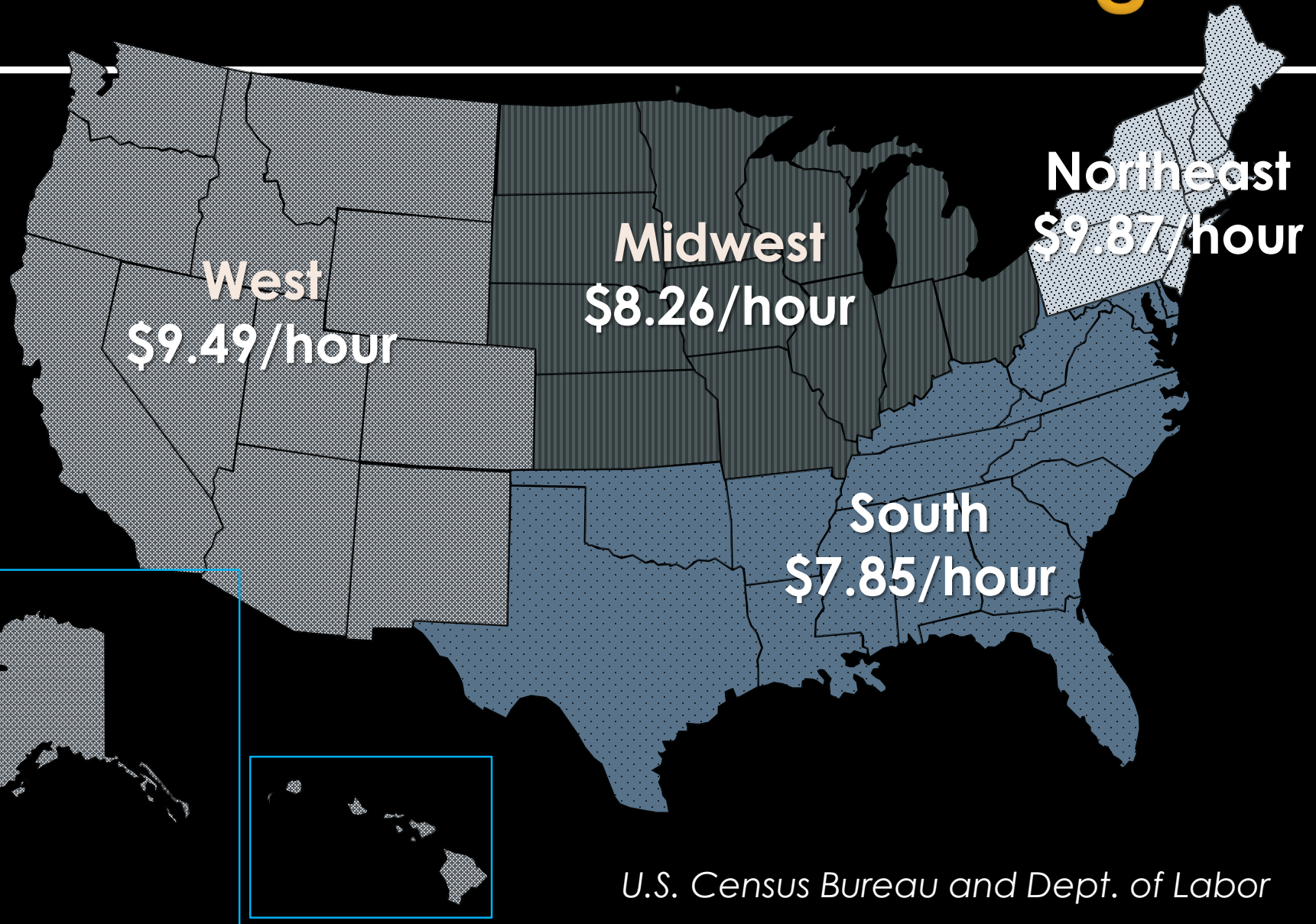
Data from United States Department of Labor as of 1/1/19

# Article 13 – Minimum Wage

Rank	State	Minimum
1	D.C.	\$14.00
2	CA, MA, WA	\$12.00
5	OR	\$11.25
6	CO, NY	\$11.10
8	AZ, ME	\$11.00
10	VT	\$10.78
11	RI	\$10.50

Data from United States Department of Labor as of 1/1/19

# Article 13 – Minimum Wage



U.S. Census Bureau and Dept. of Labor

# Article 13 – Minimum Wage

State Minimum Wage Cohorts		
\$7.25	21	42%
\$7.26 - \$8.50	5	10%
\$8.51 - \$9.75	9	18%
> \$9.76	15	30%
<b>Total</b>	<b>50</b>	<b>100%</b>

Data from United States Department of Labor as of 1/1/19  
Federal minimum wage last raised July 2009

# Article 13 – Minimum Wage

- DLT estimates 30,000 RI workers were impacted by last increase
- Direct state budget impact relates only to the Department of Environmental Management
  - Certain seasonal workers
  - Estimated FY 2020 impact ~\$90,000
    - Annual impact roughly twice that
    - Included in the Governor's budget

# Article 13 – Minimum Wage

- Budget does not assume impact for all state services provided through contracts that pay workers close to minimum wage
- Does include increase for some of those who work with developmentally disabled individuals
  - Budget adds \$3.0 million from general revenues for this group
    - \$6.4 million from all funds
    - Wage would increase from \$12.27 to \$12.68



# Summary

- Article 5, Section 5
  - Job Development Assessment
- Article 13
  - Minimum Wage
- Article 14
  - Healthcare Market Stability
- Article 16, Section 4
  - Employer Public Assistance Assessment

# Article 14 – Introduction

- Affordable Care Act
  - Federal changes
- Short-term Limited Duration
- State Individual Mandate
- Reinsurance Program

# Article 14 – Healthcare Market Stability

- Patient Protection and Affordable Care Act of 2010
  - *Also called ACA, Obamacare*
- Aims at decreasing number of uninsured individuals
- Required all individuals to have medical coverage or pay a penalty
  - Certain exemptions allowed

# Article 14 – Healthcare Market Stability

Affordable Care Act key provisions

- Insurers were prohibited from
  - Imposing dollar limits on benefits
  - Dropping policyholders when they get sick
  - Excluding pre-existing medical conditions
- Allows states to extend Medicaid benefits to non-disabled, adults w/o dependents children at or below 138% poverty as of Jan. 1, 2014
  - 2013 Legislation adopted in RI

# Article 14 – Healthcare Market Stability

- ACA authorized U.S. Health & Human Services & Treasury to allow states to establish programs waiving certain provisions of the Act
  - 1332 Waiver
- 2018 Assembly adopted legislation to initiative waiver process
- State is preparing waiver application
  - Actuarial analysis must be conducted
  - Funding source must be identified

# Article 14 – Healthcare Market Stability

- ACA criteria that must be met for granting waiver
  - Provide coverage that is at least as comprehensive in covered benefits
  - Affordable coverage
  - Scope
    - To at least a comparable number of state residents
  - Federal deficit
    - Must not increase federal deficit

# Article 14 – Healthcare Market Stability

- Constitutionality of individual mandate provision was challenged
  - 2012 U.S. Supreme Court upheld
  - 2017 Congress passed Tax Cuts and Jobs Act
    - Reduced penalty payment to \$0
    - Effective January 1, 2019
  - August 2018 U.S. Departments of Health and Human Services, Labor, and Treasury
    - Issued rule to expand definition of short-term limited duration coverage (STLD)

# Article 14 – Healthcare Market Stability

- Short-term limited duration insurance
  - Designed to fill gaps in coverage
  - In between jobs
  - Exempt from definition of insurance coverage in individual market
- Affordable Care Act
  - Must meet essential health insurance coverage
    - Maternity
    - Prescription drugs
    - Mental health services



# Article 14 – Healthcare Market Stability

- Federal rule change redefined
  - Can cover longer periods
    - Up to 12 months
    - May be renewed up to 36 months
  - States can impose requirements for consumer notice
- RIGL exempts short-term policies from regulation in individual market
  - Regulated under small group (2-50) and large group (51+) markets

# Article 14 – Healthcare Market Stability

- Article 14 removes exemption status of short-term limited policies
  - Defines as health insurance coverage
  - Subject to regulation and oversight by Office of the Health Insurance Commissioner
    - Same manner as small and large group markets
  - Effective upon passage
  - No current policies offered

# Article 14 – Healthcare Market Stability

- Federal penalty reduced to \$0
  - Anticipated that individuals will leave market
  - Cause instability in individual market
    - Unbalanced risk pool
  - Increase number of uninsured
  - Dramatic increases in premium
    - Largely impact those not receiving federal advanced premium tax credit

# Article 14 – Healthcare Market Stability

- Imposes Shared Responsibility Payment Penalty
  - Individuals without health insurance coverage, effective Jan. 1, 2020
    - Certain exemptions
  - Payment to be collected by Taxation
  - Restrict uses:
    - Reinsurance or payments to health insurance carriers
    - Administrative costs
    - Residual funds – preventative health care programs

# Article 14 – Healthcare Market Stability

- Federal Individual Shared Responsibility Payment was phased-in over 3-yrs.
  - Capped at value of bronze plan

<b>Year</b>	<b>Penalty</b>	<b>At least</b>	<b>Or % of Income</b>
2014	\$95/adult & \$47.50/child	\$285	1.0%
2015	\$325/adult & \$162.50/child	\$975	2.0%
2016	\$695/adult & \$347.50/child	\$2,085	2.5%
2016+	Increase annually by COLA		

# Article 14 – Healthcare Market Stability

- RI Shared Responsibility Payment Penalty
  - Modeled after fully phased in ACA penalty, except
  - Penalty is capped at statewide avg. premium for bronze plans offered through Exchange

	2017		2018		2019*	
	Average Annual Bronze Premium					
	U.S.	RI	U.S.	RI	U.S.	RI
Individual	\$3,264	\$2,052	\$3,396	\$2,220	\$	\$2,388
Fam. of 4	\$13,056	\$8,208	\$13,584	\$8,880	\$	\$9,552

\*2019 national data not yet available

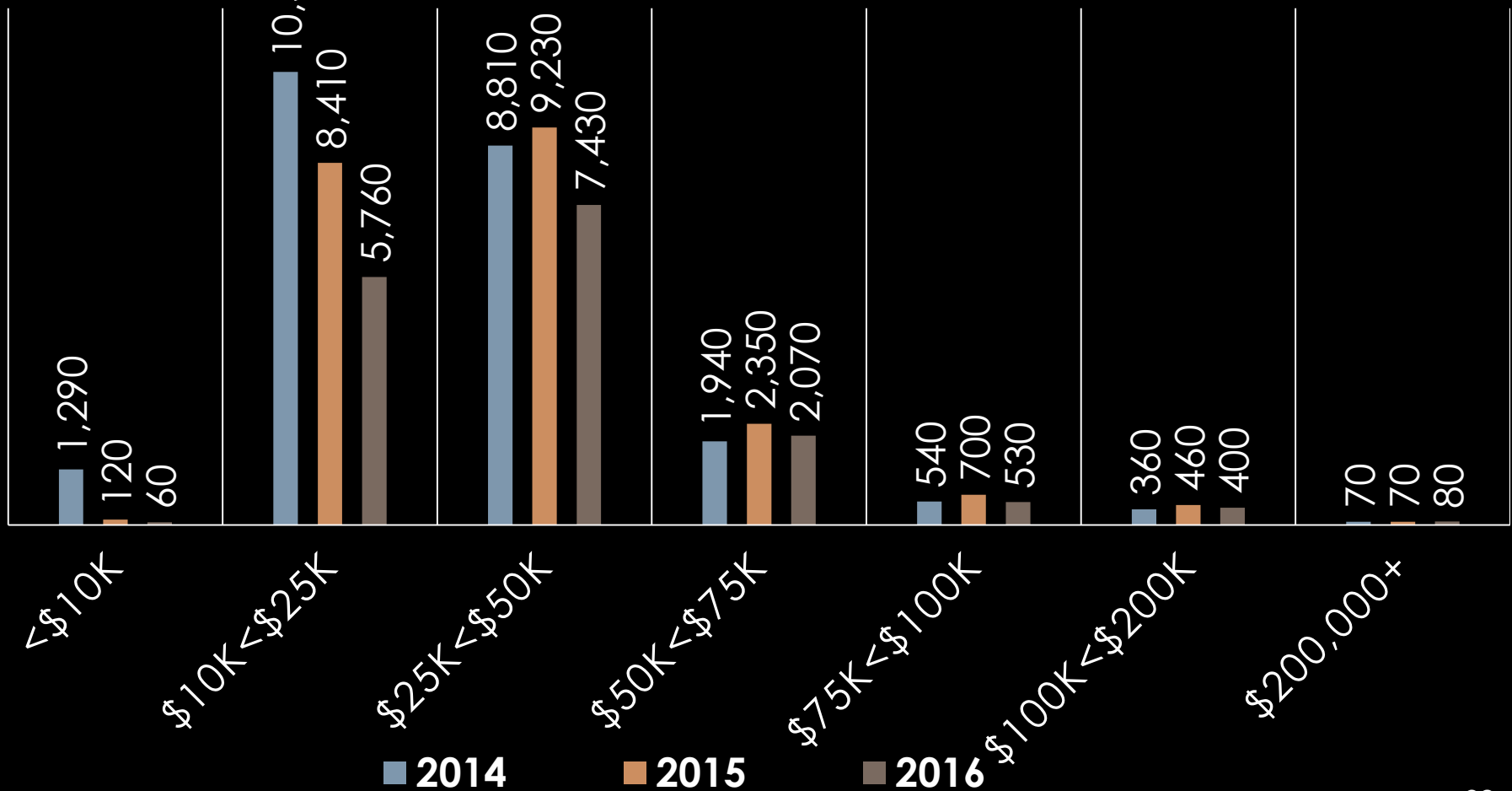
# Article 14 – Healthcare Market Stability

<b>Rhode Island</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Total Filers	521,980	529,510	529,380
Filers who paid penalty	23,540	21,320	16,320
Percent of totals filers	4.5%	4.0%	3.1%
Amount of payment reported in	\$4.3	\$8.6	\$10.7

\$ in millions

# Article 14 – Healthcare Market Stability

Penalty Payments in RI by Income



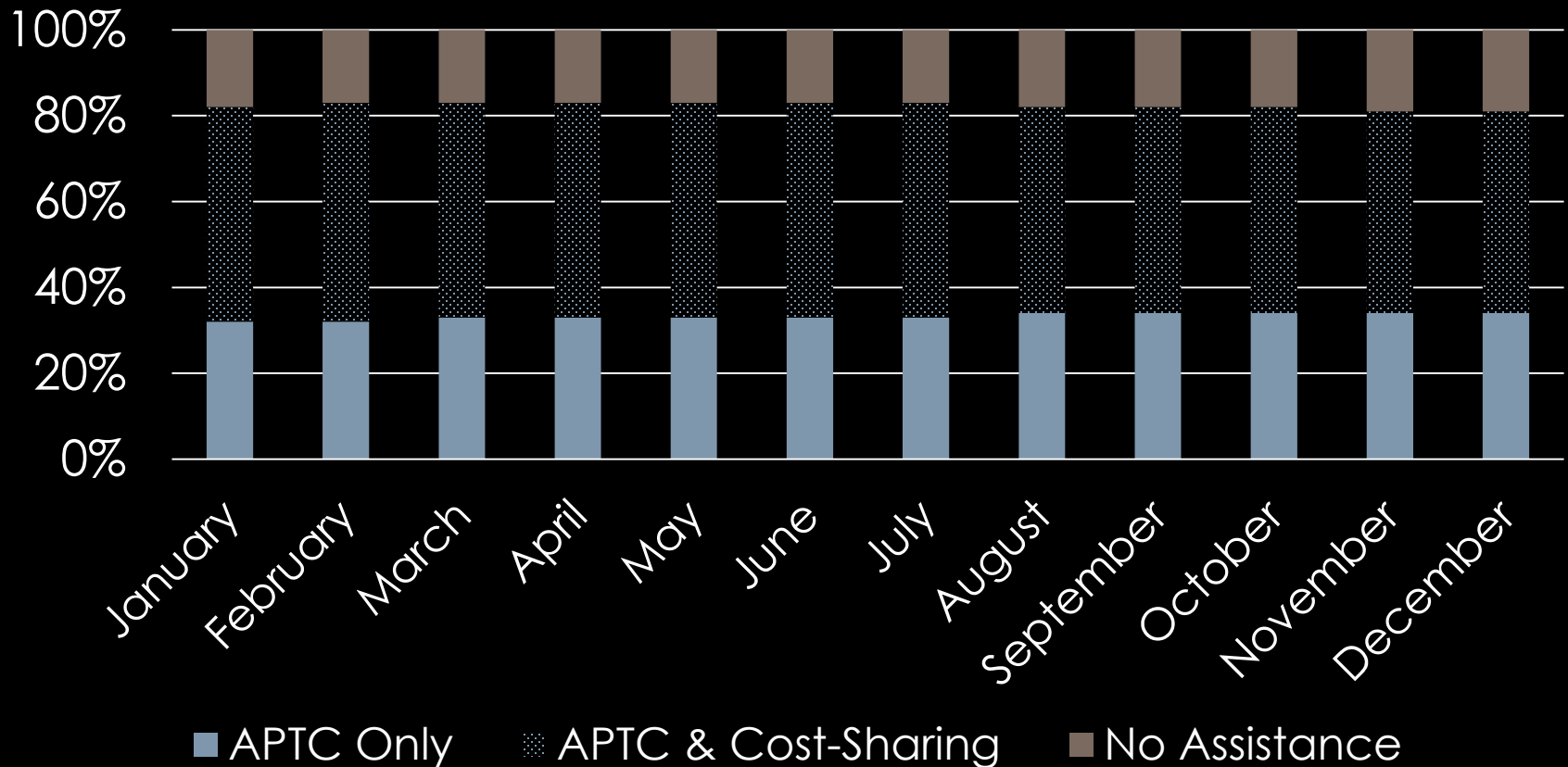


# Article 14 – Healthcare Market Stability

- Exemptions
  - Religious conscience and hardship
    - To be determined by HealthSource RI
    - Appeal process in accordance with Administrative Procedures Act
  - Income level
    - Gross income below state filing threshold
  - Out-of-state resident
    - Can not impose for month(s) an individual was resident of another state

# Article 14 – Healthcare Market Stability

## 2018 HSRI Individual Market Enrollment



# Article 14 – Healthcare Market Stability

- Penalty payment collected by Taxation
  - Deposited in Health Insurance Market Integrity Fund
    - Exempts receipts from 10% indirect cost recovery
- Allows tax administrator to notify individuals of payment owed
  - If not paid
    - Any refund due will be reduced
    - Can withhold future tax refunds

# Article 14 – Healthcare Market Stability

## ACA Enforcement

- Taxpayers who do not make penalty payment are not subject to
  - Levies, liens, or criminal prosecution
- Treasury Inspector for Tax Administration
  - Reported that 92.4% of filers who reported a owing a penalty for tax year 2015
    - Paid in as refund reduction
    - Made payment at time of filing

# Article 14 – Healthcare Market Stability

- Penalty payment is eff. Jan. 1, 2020 for individuals with no health insurance
- Collections begin as soon as individuals start filing 2020 taxes
  - January 2021
- Funds from penalty payment may be included in FY 2021 budget
  - Make payments to health insurance carriers
  - Administrative expenses

# Article 14 – Healthcare Market Stability

- Empowers HealthSourceRI to coordinate outreach efforts
  - Office of the Health Insurance Commissioner
  - Division of Taxation
- FY 2020 budget includes \$400K from general revenues for implementation
  - Awareness campaign
  - Actuarial analyses
  - May be needed for Division of Taxation

# Article 14 – Healthcare Market Stability

## Data Sharing

- Requires Taxation to disclose to HealthSource RI & its contractors
  - Name, age, mailing address, income & penalty amount
    - Individuals without minimum essential coverage
- Requires Taxation & HealthSource RI to develop data privacy & security safeguards

# Article 14 – Healthcare Market Stability

- Reinsurance Program designed to provide stability in individual insurance market
  - Funded through
    - Shared Responsibility Payment Penalty
    - Federal funds savings
      - Difference from Advanced Premium Tax Credit and lower premium as a result of reinsurance program
  - Funds would be used to make payments to health insurance carriers
    - Ensure that premiums do not increase drastically



# Article 14 – Healthcare Market Stability

- Centers for Medicare & Medicaid
  - Approved application for 8 states
    - Alaska, Hawaii, Maine, Maryland, Minnesota, New Jersey, Oregon and Wisconsin
  - Application deemed incomplete
    - Massachusetts, Ohio and Vermont
- National Conference of State Legislatures
  - At least 35 states have considered legislation to initiate 1332 waiver process
    - As of October 2018

# Article 14 – Healthcare Market Stability

State	Year	Projected Cost	Federal Funds	Funding
Alaska	2018	\$60M	\$58M	Premium tax
Maine	2019	\$93M	\$33.4M	Insurer fee & \$4PMPM
Maryland	2019-2021	\$970M	\$605M	Assessments on insurers
Minnesota	2019	\$271M	\$130.7M	State funds
New Jersey	2019	\$324M	\$218M	State funds & penalty
Oregon	2018	\$90M	\$51.5M	Premium assess & other sources
Wisconsin	2019	\$200M	\$166M	State funds

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# Article 16, Section 4 – Employer Public Assistance Assessment

- Section 4 of Article 16 imposes a new employer public assistance assessment
  - Quarterly assessment of 10% of wages for each employee who receives Medicaid for the entire quarter
  - Not to exceed \$1,500 annually for employee from same employer
    - Different employer may pay for same employee
  - Applies to employers with 300 or more employees
    - Does not include non-profit or governmental entities

# Article 16, Section 4 – Employer Public Assistance Assessment

- Does not apply to “working disabled adults”
  - Definition will be set in regulation
  - Revenue estimate calculation excluded disabled adults enrolled in Rhody Health Partners & Rhody Health Options
    - There are others who might be considered disabled but not enrolled in these plans
      - Fee for service

# RI Medicaid FY 2020

<b>Programs – FY 2020 CEC</b>	<b># of enrollees</b>	<b>Monthly Cost/Each</b>	<b>Annual Cost</b>
Rlte Care – Families	155,544	\$255	\$3,063
Rlte Care – Children w/ Special Health Needs	9,688	\$1,012	\$12,147
Rlte Share	5,069	\$81	\$977
Rhody Health Partners – Disabled Adults	14,334	\$1,517	\$18,209
Rhody Health Partners – Expansion Population	72,293	\$519	\$6,222
Rhody Health Options - LTC	15,081	\$732	\$8,789
Fee for Service	32,753	\$1,973	\$23,678
<b>Total</b>	<b>304,762</b>	<b>\$606</b>	<b>\$7,278</b>

# Article 16, Section 4 – Employer Public Assistance Assessment

- Individual on Medicaid Expansion program
  - Annual income cannot exceed \$17,236
- Works two part-time jobs for qualifying employers

Employer	Annual Wages	Assessment	Assessment Cap
#1	\$10,000	\$1,000	\$1,500
#2	7,100	710	\$1,500
<b>Total</b>	<b>\$17,100</b>	<b>\$1,710</b>	

# Article 16, Section 4 – Employer Public Assistance Assessment

- To be administered by Labor and Training
  - Data sharing among the Departments of Revenue, Human Services, and EOHHS
  - Regulations to be in consultation with all
- Governor's FY 2020 budget assumes collections start October 1, 2019
  - Revenues totaling \$15.6 million for FY 2020
    - Out-years assume \$19.5 million for FY 2021
  - Offset by \$1.1 million in administrative expenses in the DLT



# Article 16, Section 4 – Employer Public Assistance Assessment

- DLT & DHS will promulgate the regulations
  - In consultation with EOHHS and Revenue
- Data sharing between the agencies, including DOA
  - Not to be made public
- Is an appeal process and employer can ask DHS to review eligibility of the employee

# Article 16, Section 4 – Employer Public Assistance Assessment

Estimated Impact by Industry*	# of Employers	# of Employees	Total
Retail Trade	30	7,462	\$4.7
Administrative & Support/Waste Mgt.	24	6,222	3.5
Accommodation & Food Services	16	3,040	1.8
Finance/Insurance & Manufacturing	31	1,682	1.8
Health Care & Social Services	17	2,146	1.7
Management & Professional/ Scientific & Tech. Services	10	854	0.6
All Other	16	1,873	1.4
<b>Total</b>	<b>144</b>	<b>23,279</b>	<b>\$15.6</b>

\$ in millions/\*North American industry Classification System (NAICS)

# Article 16, Section 4 – Employer Public Assistance Assessment

- Massachusetts has an Employer Medical Assistance Contribution (EMAC)
  - Assessment based on how long the employer has been in business
    - Max \$51 fee per employee
    - Assessment increased to \$77 max for two years
      - Sunsets December 31, 2019
  - Supplemental assessment applied to narrower group also adopted for same 2-year period

# Article 16, Section 4 – Employer Public Assistance Assessment

- EMAC Supplement eff. 2018 & 2019
  - Applies to companies with 6 or more employees
  - 5% of wages of non-disabled employees continuously enrolled in MassHealth and Connector
    - For at least 56 days in a quarter making at least \$500
  - Capped at \$750 per employee & applies to any entity subject to unemployment insurance law

# Article 16, Section 4 – Employer Public Assistance Assessment

- EMAC Supplement
  - To offset some of cost, MA modified its UI schedule reducing its scheduled increase for employer contributions for 2018 and 2019
  - Saving employers \$335 million over two years compared to expected rates
- MA allows a waiver if results in company going out of business or laying off staff
  - As of Nov 2018, 246 business applied
    - 99 approved; 144 denied and 3 withdrawn

# Comparison To MA

	<b>RI</b>	<b>MA</b>	
<b>Program</b>	<b>Employer Public Assistance Assessment</b>	<b>EMAC</b>	<b>EMAC Supplement</b>
Assessment	10% up to \$1,500 per Medicaid employee	Up to \$51 per employee covered by UI law after 5-year phase in Increased to \$77 for 2018 & 2019 only	5% up to \$750 per employee on Govt. subsidized health care
Exempt	Disabled adults Government and non-profit entities	None	Disabled
Employees	No less than 300	6 or more	
Sunset	None	None	12/31/2019

# Comparison To MA

	<b>RI</b>	<b>MA</b>	
<b>Program</b>	<b>Employer Public Assistance Assessment</b>	<b>EMAC</b>	<b>EMAC Supplement</b>
Appeal Process	Within 15 days of receiving notice of determination Decision is considered a final agency order	N/A	Within 10 days of receipts and limited to specific issues
Data Sharing	Not made public	Not made public	
Revenues	\$15.6 million eff. Oct. 1 \$19.5 million FY 2021	Estimated at \$400 million total over 2 years	

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