

# 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

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### 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

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## Exchange: Background & Implementation

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

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## 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)

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## 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

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## 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

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## 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 Fund

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## 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

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## 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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## 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

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## Enrollment – Total Market

HealthSource Enrollment and Market Share Estimates						
	Individual Group			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%
<b>Diff</b>	<b>2,736</b>	<b>1,865</b>	<b>(1.0%)</b>	<b>-</b>	<b>7,233</b>	<b>11.6%</b>
<b>% chg.</b>	<b>7.5%</b>	<b>6.2%</b>	<b>(1.2%)</b>	<b>-</b>	<b>220%</b>	<b>223%</b>
2017	41,892	34,724	82.8%	62,625	14,515	23.2%
<i>Diff</i>	2,858	2,858	1.2%	-	4,000	6.4%
<i>% chg.</i>	<b>7.3%</b>	<b>9.0%</b>	<b>1.5%</b>	<b>-</b>	<b>38.0%</b>	<b>27.6%</b>

\*Exchange's projection

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## Article 28 – Health Reform Assessment

CY 2016	Exch. Projected Enrollment	Projected Avg. Mthly Premiums	Annual Premiums (in millions)
Ind. Group	31,866	\$369	\$141.1
Small Group	10,515	\$492	\$62.1
<b>Total</b>	<b>42,381</b>		<b>\$203.2</b>
Federal Facilitated Marketplace			
3.5% Equivalent			\$7.1 million

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## Article 28 – Health Reform Assessment

CY 2016	Projected Avg. Mthly. Premiums	Total Market Enroll	Total Market Premium (in millions)	Art. 28 Proposed Asees.
Ind. Group	\$369	39,034	\$172.8	4.74%
Small Group	\$492	62,625	\$369.7	0.98%
<b>Total</b>		<b>101,659</b>	<b>\$542.6</b>	

### Federal Facilitated Marketplace

3.5% Equivalent	\$7.1 Million
Spread Across Total market prem.	\$542.6 million
Effective rate	1.31%

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## Article 28 – Health Reform Assessment

SFY 2017	Exch. Projected Enrollment	Projected Avg. Mthly Premiums	Annual Premiums (in millions)
Ind. Group	34,724	\$380	\$158.4
Small Group	14,515	\$507	\$88.3
<b>Total</b>	<b>49,239</b>		<b>\$246.6</b>
Federal Facilitated Marketplace			
3.5% Equivalent			\$8.6 million

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## 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%
<b>Total</b>		<b>104,517</b>	<b>\$571.9</b>	

Federal Facilitated Marketplace	
3.5% Assessment	\$8.6 Million
Spread Across Total market prem.	\$571.9 million
Effective rate	1.51%

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## 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

SFY 2017	HealthSource	Fed. Facilitated Marketplace
Premium assessment	\$11.2	\$8.6
Transition costs		2.7
Ongoing state costs		0.2
<b>Total</b>	<b>\$11.2</b>	<b>\$11.6</b>

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## Article 28 – Health Reform Assessment

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- 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

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## King v. Burwell

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- Constitutionality 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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## New Article - Job Development Fund

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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

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## Unemployment Insurance Background

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- 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
	0.19%	Funds Governor's Workforce Board: grants, staff, operations
Temporary 0.3%		Principal and interest on state's UI loans (instead of insolvency surtax)

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## New Article - Job Development Fund

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- 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

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## New Article - Job Development Fund

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- \$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

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## New Article - Job Development Fund

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- 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

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## Unemployment Insurance Background

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- 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

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## New Article - Job Development Fund

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- 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

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- 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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