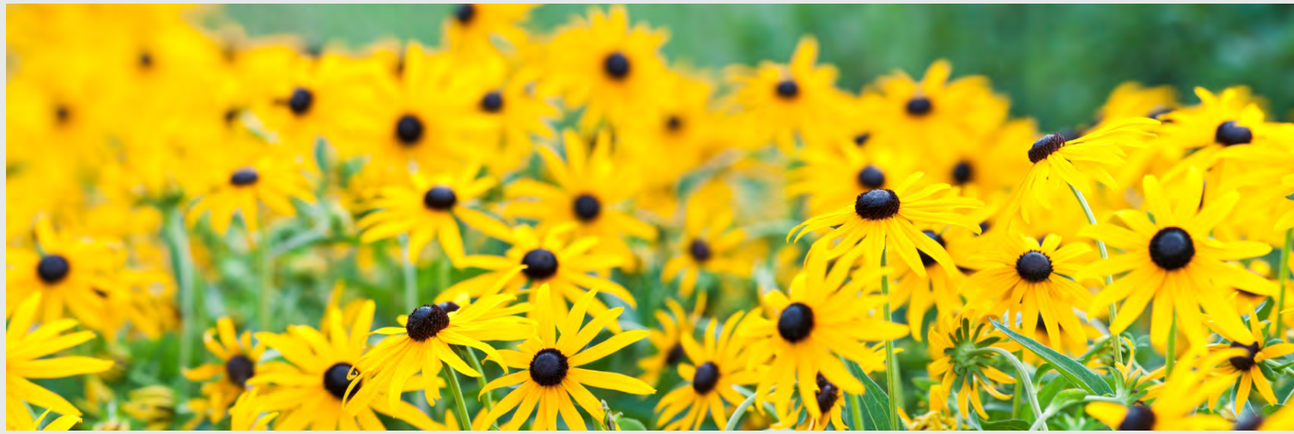
Maryland Health Insurance Plan



Annual Report

Fiscal Year 2010

Maryland Health Insurance Plan

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SUMMARY OF ACTIVITIES FOR THE MARYLAND HEALTH INSURANCE PLAN

History and Description

The Maryland Health Insurance Plan (MHIP) is the state's high-risk pool whose purpose is to decrease uncompensated care costs by providing access to affordable comprehensive health benefits for medically uninsurable residents of Maryland. MHIP was created by the Health Insurance Safety Net Act of 2002 as an independent unit of the Maryland Insurance Administration, and became operational on July 1, 2003. Pursuant to Chapter 259, Acts of 2008, MHIP became an independent unit of State government on October 1, 2008. MHIP is governed by a ten-member board of directors, consisting of the Secretary of the Department of Budget and Management, the Secretary of the Department of Health and Mental Hygiene, the Executive Director of the Health Services Cost Review Commission, the Executive Director of the Maryland Health Care Commission, an insurance carrier representative, an insurance producer representative, a minority-owned business representative, a hospital representative, and two consumer members. The Board is required to establish a standard benefit package to be offered by MHIP and a premium rate to be charged for coverage by MHIP.

MHIP

Maryland Health Insurance Plan

Eligibility Requirements

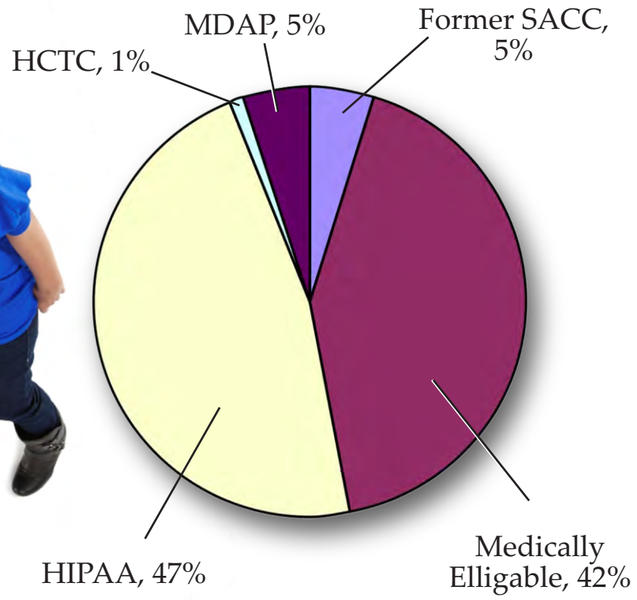
An individual is eligible to enroll in MHIP if the individual is a resident of Maryland and:

- is unable to obtain substantially similar coverage from a health insurance carrier due to a health condition;
- is unable to obtain substantially similar coverage from a health insurance carrier due to a health condition, except at a rate that exceeds the MHIP rate;
- has federal guaranteed-issue rights under the Health Insurance Portability and Accountability Act (HIPAA) of 1996;
- has a medical or health condition that is included on a list of conditions adopted by the Board by regulation;
- is eligible for the 65 percent Health Care Tax Credit under §35 of the Internal Revenue Code, including former workers and retirees of Bethlehem Steel and Black & Decker; or
- is a dependent of an individual who is eligible for coverage.

In addition, former enrollees of CareFirst, MAMSI Optimum Choice and Aetna, who had coverage through the state's former Substantial, Available and Affordable Coverage (SAAC) requirement, were auto-enrolled into MHIP effective July 1, 2003.

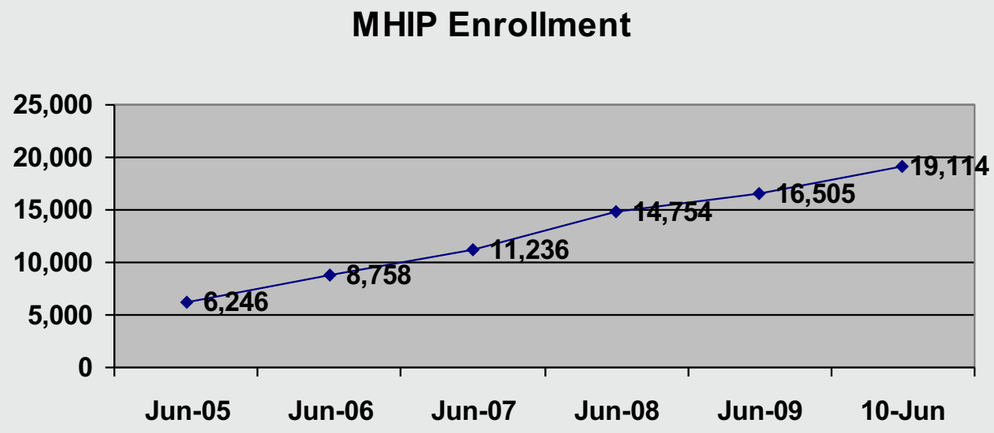
The following chart illustrates the enrollment distribution of MHIP members, by their eligibility category, as of the end of fiscal year 2010:

MHIP: Distribution of Eligibility



Enrollment

During fiscal year 2010 MHIP enrollment continued to increase significantly. As of June 2010, total MHIP enrollment was 19,114 members. This represents an enrollment increase of 16% since June 2009, when enrollment was 16,505 members, and an increase of 206% since June of 2005, when enrollment was 6,246 members.



MHIP+

Chapter 510 of the Acts of 2004 authorized the Board to subsidize premiums and cost-sharing expenses based on a member's income. Based on this authority, MHIP implemented a subsidy program called "MHIP+," through which members with low or moderate income can qualify for reduced premiums and, in some cases, reduced cost sharing. MHIP+ was initially made available in December 2005 to plan members with income at or below 225% of the federal poverty level (FPL). Starting in July 2007, MHIP+ eligibility was expanded to 300% FPL. Individual MHIP+ participants can reduce their annual premium and out-of-pocket expenses by up to $6,500 a year.

As of June 2010, more than 4,500 MHIP subscribers were enrolled in MHIP+.

Benefit Options

The Plan offers five benefit options that a Subscriber may choose at the time of initial enrollment or during the annual Open Enrollment period. These Benefit Options are:

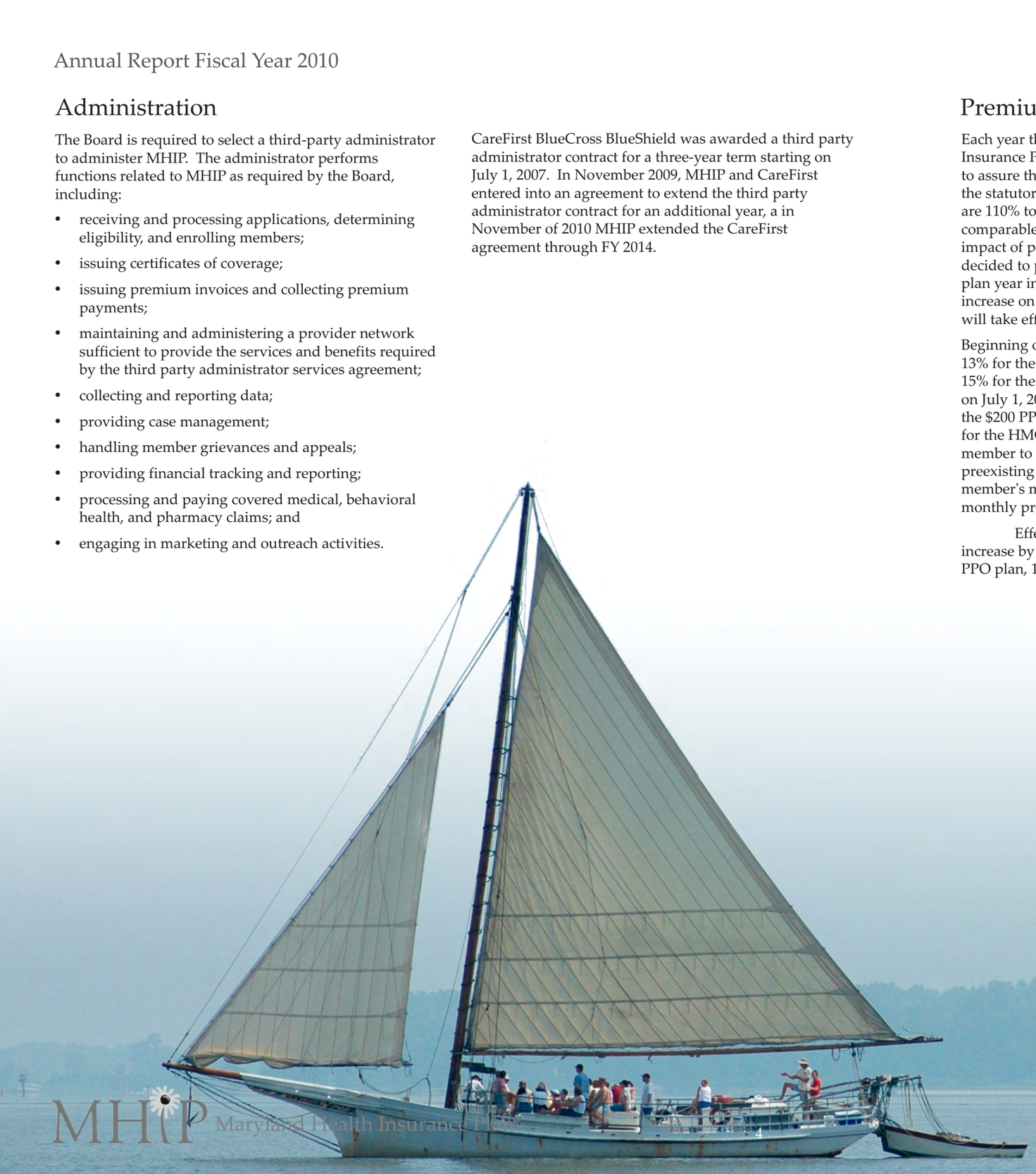
- EPO/HMO;
- $200 Deductible PPO (available only to certain MHIP+ Members)
- $500 Deductible PPO;
- $1,000 Deductible PPO;
- $2,600 High Deductible Plan (HDP)

Administration

The Board is required to select a third-party administrator to administer MHIP. The administrator performs functions related to MHIP as required by the Board, including:

- receiving and processing applications, determining eligibility, and enrolling members;
- issuing certificates of coverage;
- issuing premium invoices and collecting premium payments;
- maintaining and administering a provider network sufficient to provide the services and benefits required by the third party administrator services agreement;
- collecting and reporting data;
- providing case management;
- handling member grievances and appeals;
- providing financial tracking and reporting;
- processing and paying covered medical, behavioral health, and pharmacy claims; and
- engaging in marketing and outreach activities.

CareFirst BlueCross BlueShield was awarded a third party administrator contract for a three-year term starting on July 1, 2007. In November 2009, MHIP and CareFirst entered into an agreement to extend the third party administrator contract for an additional year, a in November of 2010 MHIP extended the CareFirst agreement through FY 2014.



Premium and Benefit Changes for 2010-11 Plan Year

Each year the Board of Directors for the Maryland Health Insurance Plan reviews plan premium rates and benefits to assure the Plan's ongoing solvency and to comply with the statutory requirement that standard plan premiums are 110% to 150% above individual market rates for comparable underwritten coverage. In order to lessen the impact of premium increases on members, the Board decided to phase in premium increases for the 2010 – 2011 plan year in two steps. There was an initial premium increase on July 1, 2010 and a second premium increase will take effect on January 1, 2011.

Beginning on July 1, 2010, MHIP premiums increased by 13% for the $500 PPO plan, 10% for the $1,000 PPO plan, 15% for the HMO plan, and 15% for the HDP plan. Also on July 1, 2010, MHIP+ premiums increased by 6.5% for the $200 PPO plan, 10% for the $500 PPO plan, and 10% for the HMO plan. In addition, the cost for an MHIP+ member to purchase an endorsement to eliminate the preexisting condition exclusion increased from 10% of the member's monthly premium to 15% of the member's monthly premium.

Effective January 1, 2011, MHIP premiums will increase by 13% for the $500 PPO plan, 13% for the $1,000 PPO plan, 15% for the HMO plan, and 15% for the HDP plan. Also on January 1, 2011, MHIP+ premiums will increase by 5% for the $200 PPO plan, 10% for the $500 PPO plan, and 10% for the HMO plan. In addition, the cost for an MHIP+ member to purchase an endorsement to eliminate the preexisting condition exclusion will increase from 15% of the member's premium to 20% of the member's premium.

In another action taken by the Board to slow the growth of plan costs, the three-tiered copayment structure for prescription drugs was altered by a change in the amount of the copayments for the existing three tiers and the addition of a fourth tier for select brand name drugs. For the $200 PPO plan, the new four-tiered copayment structure for prescription drugs is as follows: $10 for generic drugs; $25 for preferred brand name drugs; $50, plus the difference in cost between the brand name drug and the generic drug, for non-preferred brand name drugs; and $75 for select brand name drugs. For all other plan options, the new four-tiered copayment structure for prescription drugs is as follows: $15 for generic drugs; $35 for preferred brand name drugs; $75, plus the difference in cost between the brand name drug and generic drug, for non-preferred brand name drugs; and $125 for select brand name drugs.

Funding

MHIP is funded by a combination of:

- member premiums (which ranged from $135 to $1,181 per month for an individual during fiscal year 2010 and vary by age, plan option selection and family size);
- an annual assessment on Maryland hospitals of $114,633,180 in fiscal year 2010; and
- $3,680,291 in federal grant revenue in fiscal year 2010.

A schedule of standard MHIP plan premiums can be found in Appendix A.

At the end of fiscal year 2010, the Maryland Health Insurance Plan had a fund balance of $126,870,753. MHIP's actuary recommends that $80,821,900 be designated as capital adequacy reserve.

MHIP Federal

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (PPACA), as amended by the Health Care and Education Recovery Act of 2010. PPACA requires the U.S. Secretary of Health and Human Services to establish a temporary high risk pool program to provide health insurance coverage to uninsured individuals with a preexisting condition. The Secretary is authorized to carry out the program directly or through contracts with states or other eligible entities.

Following the enactment of PPACA, the Maryland General Assembly enacted House Bill 1564, an MHIP departmental bill that authorizes the Board of Directors for MHIP to administer the federal high risk pool program for Maryland. Governor O'Malley signed the bill into law as Chapter 173, Acts of 2010 on April 13, 2010. On April 26, 2010, Governor O'Malley sent a letter to the U.S. Secretary of Health and Human Services designating MHIP as the entity that would implement the federal high risk pool program for Maryland.

On June 1, 2010, MHIP submitted a proposal to operate the federal high risk pool program to the U.S. Department of Health and Human Services. Following review of the proposal and contract negotiations, MHIP entered into a contract with the U.S. Department of Health and Human Services to operate the federal high risk pool program for Maryland. The federal high risk pool program will remain in effect until the end of 2013, when it will be replaced by an insurance exchange established under PPACA. Pursuant to MHIP's contract with the U.S. Department of Health and Human Services, Maryland will receive approximately $85 million in federal funding for the federal high risk pool program during the life of the program.

To be eligible for coverage under the federal high risk pool program, an individual must:

- Be a citizen or national of the United States or lawfully present in the United States;
- Be a resident of Maryland;
- Not have had health insurance for a continuous six-month period of time immediately prior to the date of application to the federal high risk pool program;
- Not be eligible for other health insurance coverage; and
- Have a preexisting condition.

After entering into the contract with the U.S. Department of Health and Human Services, MHIP staff worked to implement the new federal high risk pool program, which is called "MHIP Federal." MHIP began accepting applications for MHIP Federal at the beginning of August 2010, and MHIP Federal became operational on September 1, 2010. Coverage under MHIP Federal is provided through a $1,500 high deductible plan. Members of MHIP Federal have a comprehensive benefit package similar to the benefit package currently provided to MHIP members. There is no preexisting condition waiting period for MHIP Federal. By law, premiums for MHIP Federal may not exceed what is charged for comparable coverage in the commercial insurance market. Implementation of MHIP Federal should allow MHIP to provide coverage to approximately 3,500 additional members.

Legislation

MHIP staff:

- represent the Board before the Governor's Legislative Office, the Maryland General Assembly, the Maryland Congressional Delegation, and legislative work groups and task forces;
- work with the Board and the Governor's Legislative Office to develop departmental legislation;
- monitor bills introduced before the General Assembly that affect MHIP and work with the Board to develop positions on the bills;
- prepare fiscal estimates for all bills that have a fiscal impact on MHIP; and
- evaluate passed bills that affect MHIP for possible veto by the Governor.

During the 2010 Session, MHIP proposed departmental legislation to:

- authorize the Board to establish a Plan option for members of the Plan whose premiums are paid by another governmental unit or program and set premium rates and cost-sharing arrangements for that Plan option to limit the extent to which other governmental units or programs can shift costs to MHIP [enacted as Chapter 166, Acts of 2010]; and
- authorize the Board to elect for MHIP to administer the national high risk pool program for the State [enacted as Chapter 173, Acts of 2010].

Also, MHIP staff prepared fiscal estimates for 40 bills, in response to requests from the Department of Legislative Services.

Regulations

Under §14-503(k) of the Insurance Article, the Board has the authority to adopt regulations necessary to operate and administer the Plan. The Board periodically takes action on regulations to:

- implement legislation enacted by the General Assembly;
- implement policies of the Board; and
- update or repeal obsolete regulations.

During the 2009 – 2010 Plan year, the Board took the following action on regulations:

COMAR 31.17.03 Operation and Administration of the Plan

This action clarified the definition of "substantially similar coverage" and established standards for determining whether benefits provided by an employer-sponsored group health insurance plan are comparable to benefits provided by the Maryland Health Insurance Plan.

Effective date: February 22, 2010

COMAR 31.17.03 Operation and Administration of the Plan

This action corrected obsolete cross references to §15-1301 of the Insurance Article. The cross references were made obsolete by changes to §15-1301 of the Insurance Article pursuant to Chapter 60, Acts of 2004 and Chapter 25, §13, Acts of 2005..

Effective date: August 9, 2010

Eligibility Appeals

Under regulations adopted by the Board, individuals are required to file any initial complaints regarding an eligibility denial with the Plan administrator. If the Plan administrator upholds its initial denial regarding an individual's eligibility for Plan coverage, the individual may appeal this denial to the Board or its designee. The Board has designated MHIP staff to determine eligibility appeals. During the 2009 – 2010 Plan year, MHIP staff issued 39 written decisions for eligibility appeals.

MHIP Premium and Coverage Subsidy Partners

MHIP accepts premium payments and enrollment referrals from a number of entities.

- The Maryland AIDS Administration, within the Department of Health and Mental Hygiene, subsidizes premiums and prescription drug deductible and copay costs for its members diagnosed with AIDS or HIV who are enrolled with MHIP. During fiscal year 2010, the number of individuals in MHIP receiving assistance from the AIDS Administration went from 892 in July 2009 to 1,092 in July 2010.
- During fiscal year 2010, MHIP entered into an agreement with the Center for Cancer Surveillance and Control (CCSC) within the Department of Health and Mental Hygiene under which CCSC will pay the premiums and other costs of MHIP members who participate in the Breast and Cervical Cancer Diagnosis and Treatment Program.
- The federal Health Coverage Tax Credit was made available to MHIP members (including their eligible dependents) who qualified for the credit because:
  - they or their employer has been certified by the U.S. Department of Labor as being affected by competition from foreign trade, and are receiving either Trade Readjustment Allowance under the Trade Adjustment Assistance Act or unemployment, or
  - they are a retiree aged 55 to 64 receiving pension payments from the U.S. Pension Benefit Guaranty Corporation.

  The tax credit, which pays 65 percent of the MHIP members monthly premium, is either advanced monthly to MHIP by the HCTC program under the Internal Revenue Service, or received directly by the member when they file their annual federal tax return. During fiscal year 2010, the number of individuals receiving the Health Coverage Tax Credit went from 178 in July 2009 to 144 in June 2010.
- Holy Cross Hospital in Silver Spring, Maryland provides partial or full premium assistance to MHIP members who were approved for premium assistance by the hospital.
- A number of Maryland counties provide premium subsidies for MHIP members with various health or personal situations.

MHIP Website

Extensive additional information regarding MHIP is available on the MHIP website at www.marylandhealthinsuranceplan.state.md.us, including:

- The application form and application booklet;
- A premium rate card; and
- The Certificate of Coverage for the current Plan year.

Materials regarding the MHIP Federal program have been added to the website.

MHIP also has launched a Spanish website, which can be reached through the above internet address. Many of the Plan materials have been translated into Spanish and are available on the Spanish website.

Appendix A

MHIP Federal Monthly Premiums

MHIP Federal HDP $1500	Individual Premium
Under 30	$141
30-34	$168
35-39	$195
40-44	$222
45-49	$246
50-54	$274
55-59	$302
60-64	$328
65 and over	$354