

# MARYLAND HEALTH INSURANCE PLAN



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## *Board of Directors*

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**VACANT**  
*Minority Business Owner*

November 16, 2012

The Honorable Thomas V. Mike Miller, Jr.  
President of the Senate  
State House, H-107  
Annapolis, MD 21401

Re: 2012 Annual Report of the Maryland Health Insurance Plan – Regarding Enrollment, Fund Surplus and Members subject to Federal Tax Credit Assistance – Pursuant to Maryland Insurance Article §14-503(m)

Dear President Miller:

Pursuant to §14-503(m) of the Insurance Article, the Board of Directors of the Maryland Health Insurance Plan (MHIP) is required to report annually to the Governor and the General Assembly the following information concerning the Plan: the number of members enrolled; any increase or decrease in membership from the previous year; any actions taken by the Board to increase enrollment or benefits; the amount of any surplus in the Fund at the end of the previous fiscal year; and, for members enrolled in the Plan subject to the federal tax credit for health insurance costs, the number enrolled and the costs to the Plan associated with providing insurance to those members.

In accordance the statute, please see the enclosed copy of MHIP's Annual Report for Fiscal Year 2012.

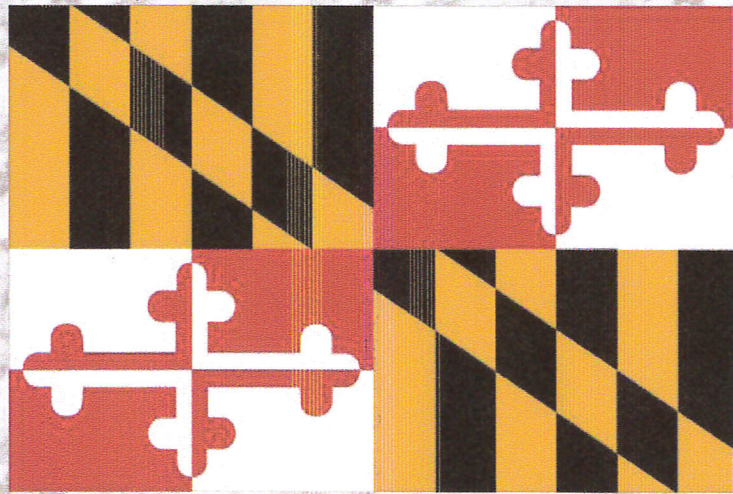
If you have any questions or need any additional information, please do not hesitate to contact me.

Sincerely,

Tate Showers  
Interim Executive Director  
Maryland Health Insurance Plan

cc: Board of Directors, Maryland Health Insurance Plan

# *Maryland Health Insurance Plan*



*Annual Report  
Fiscal Year 2012*

## 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 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.

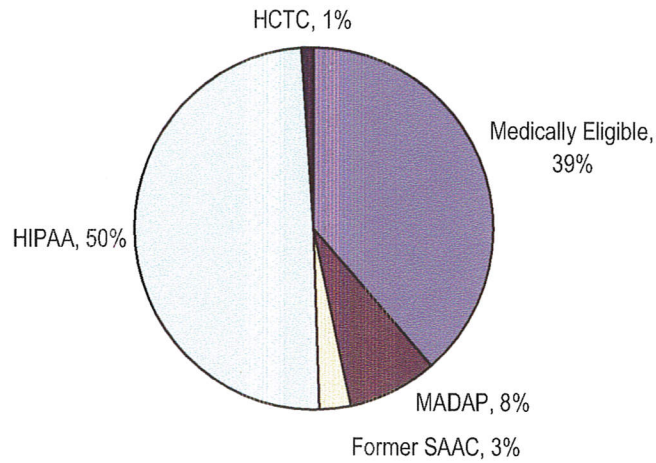
### *Eligibility Requirements*

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 2012:

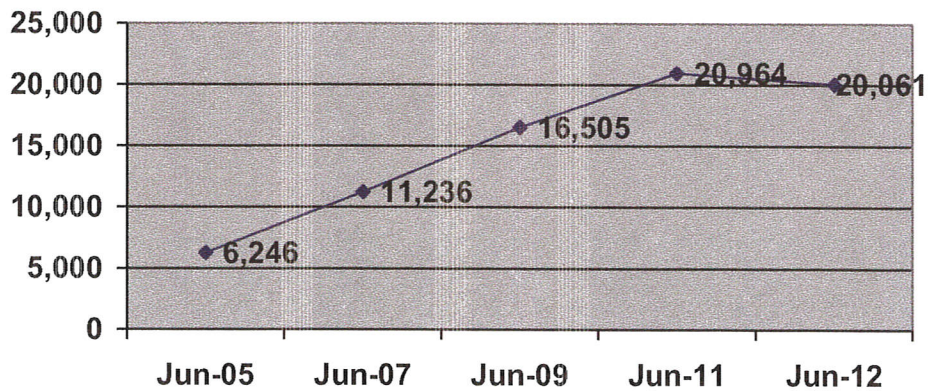
### MHIP: Distribution of Eligibility



### Enrollment

During fiscal year 2012 MHIP enrollment remained flat. As of June 2012, total MHIP enrollment was 20,061 members. This represents an enrollment decrease of 4.3% since June 2011, when enrollment was 20,964 members, and an increase of 221% since June of 2005, when enrollment was 6,246 members.

### MHIP Enrollment



## ***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.

As of June 2012, approximately 5,900 MHIP subscribers were enrolled in MHIP+.

## ***Benefit Options***

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

- Healthy Blue;
- HMO, MHIP+ HMO ;
- \$200 Deductible PPO (available only to certain MHIP+ Members)
- \$500 Deductible PPO, MHIP+ \$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.

The Board initially selected Maryland Physicians Care (MPC) as third party administrator for a term running from July 1, 2003 through June 30, 2007. In March 2007, the Board voted to award the third party administrator contract to CareFirst BlueCross BlueShield, for a three-year term starting on July 1, 2007. In November 2010, MHIP and CareFirst entered into an agreement to extend the third party administrator contract through June 30, 2014.

### ***Premium and Benefit Changes for 2012-13 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. There was a premium increase on July 1, 2012.

Beginning on July 1, 2012, MHIP premiums increased by 4% for all plans (\$500 PPO plan, \$1,000 PPO plan, HMO plan, and HDP plans). Also on July 1, 2012, MHIP increased the dependent maximum age from 23 to 26 years of age. In addition, the Board eliminated the six-month pre-existing condition waiting period for prescription drugs and the accompanying "buydown."

Other actions taken by the Board were to eliminate preventive services copays except for the prostate screening preventive screening whose copay will not change and to change the grace period from sixty (60) days to thirty (30) days with a thirty (30) day period following termination during which the member may be reinstated if the member makes premium payments to bring their account current. The new four-tiered copayment structure for prescription drugs is as follows: \$0 for generic drugs; \$45 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 \$174 to \$1,453 per month for an individual during fiscal year 2012 and vary by age, plan option and family size;

- an annual assessment on Maryland hospitals of \$122,296,039 in fiscal year 2012; and
- \$2,454,495 in federal grant revenue in fiscal year 2012.

At the end of fiscal year 2012, the Maryland Health Insurance Plan had a fund balance of \$150,237,561. MHIP's actuary recommends that \$76,045,000 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 was provided through a \$1,500 high deductible plan throughout FY2011. Beginning July 2011 (FY2012) MHIP made available the following additional plans in the federal high risk pool program: \$500 PPO Standard and \$500 PPO MHIP+. 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 2,800 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 2012 Regular Session, Senate Bill 510 was introduced requiring the MHIP Board of Directors to give an individual an opportunity for a hearing before the Board denies the individual eligibility for coverage under the Plan. The Bill received an unfavorable report from the Senate Finance Committee April 4, 2012. The MHIP Board revised the Plan appeal procedures to reflect a recent opinion of the Court of Special Appeals. Effective July 1, 2012 the Plan provides individuals with an opportunity for an evidentiary hearing to contest a decision to terminate coverage for non-eligibility based on residency. An individual's coverage continues during an appeal of the Plan's decision to terminate the individual's coverage for non-eligibility based on residency.



Also, MHIP staff prepared fiscal estimates for legislative 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 fiscal year 2012, the Board took no actions with regard to MHIP regulations.

### ***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 2012, the number of individuals in MHIP receiving assistance from the AIDS Administration went from 1,332 in July 2009 to 1,529 in June 2012.
- 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 (HCTC) 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 HCTC, which pays 72.5 percent of the MHIP member's 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 2012, the number of individuals receiving the Health Coverage Tax Credit went from 153 in July 2011 to 101 in June 2012.

- 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](http://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.