



Key Elements of Healthy Maryland Program

CareFirst BlueCross BlueShield is pleased to assist the State of Maryland in developing the “Healthy Maryland” Program to extend health coverage to the uninsured by offering our expertise, benefit design and rating expertise toward the program’s success. We have developed several benefit designs at different cost levels, for illustrative purposes only. Additional discussion is required in crafting a product design that optimizes coverage and costs. Regardless of the final design, we believe any Healthy MD Program should minimally include the following key elements:

- 1. Individual Mandate:** All Maryland residents must secure health coverage or be subject to an additional tax (proposed is 50% of the cost of the Healthy MD product, ranging from \$600 to \$1,800 annually, depending on final product design). Individuals below 300% FPL are exempted from the penalty. The mandate must be in place prior to the launch of the Healthy MD Program and would be effective for the 2011 tax year.
- 2. Single, Community-Rated Pool:** All existing commercial Under-65 Individual Market members, MHIP members and eligible uninsured individuals are consolidated into a single Individual community-rated pool.
- 3. Multiple Carrier, Single Product and Benefit Design:** All carriers currently participating in the Small Group market segment must offer the same Healthy Maryland product for Individuals with identical benefits and identical age-banded premiums. Carriers who do not participate must exit the MD Small Group market for five years.
- 4. Guaranteed Issue:** There would be no limitations for pre-existing conditions and no medical underwriting.
- 5. Comprehensive Benefit Plan Promoting Healthy Behaviors:** First-dollar coverage is provided for primary and preventive health services. Depending on funding availability, incentives may be offered to encourage individuals to assume greater personal responsibility by encouraging healthy behaviors. For example, participants could qualify for incentives (reduced premiums/deductibles) by completing HRA/health screening, selecting a “Medical Home,” and meeting compliance standards for achieving/maintaining good health.
- 6. Employer Mandate/Protected Small Group Market:** Beginning in 2011, every Maryland employer must maintain the same level of per employee health care expenditure as it did as of 1/1/09. Employers not offering coverage must provide employer-sponsored insurance to all FTE employees no later than 1/1/11. Failure to meet this mandate shall subject employers to a penalty equal to 100% of the average employer-share of premiums in MD’s Small Group market. (NOTE: Enhanced funding to expand Senate Bill 6 to provide incentives to additional small employers is recommended.)
- 7. Subsidized Premiums for Low-Income Individuals:** Individuals with incomes between 116% and 299% of FPL would qualify for income-based, sliding-scale premium subsidies.

(more)



(Healthy Maryland Tenets – Continued)

8. Funding Sources: A dedicated “Healthy Maryland” Program Fund controlled by MHIP would be established to receive existing MHIP revenues and any future tax payments, donations, assessments and grants. Participating insurers would collect premiums directly from enrollees (projected at \$1.22 billion with 537,867 members at program’s mature state). The State would pay carriers sliding-scale subsidies on premiums for their enrollees below 300% FPL. Money in this Fund can be used only to pay allowable subsidies for the Healthy MD Program enrollees and administrative costs of the Program. Any balances would be carried over from year to year. If a shortfall of funding is projected, steps would be taken to ensure the financial viability of the Program by reducing/eliminating subsidies. Subsidies would be funded from the following revenue sources:

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|--|------------------------|
| ▪ Reduction in hospitals’ Uncompensated Care Fund | \$429M |
| ▪ Hospital SAAC Assessment | \$225M |
| ▪ Existing MHIP funding sources | \$ 99M |
| ▪ Revenues from the Individual Mandate penalty <i>(assumes 50% bad debt)</i> | \$ 43M |
| ▪ Revenues from the Employer Mandate penalty <i>(assumes 50% bad debt)</i> | \$ 73M |
| ▪ Minus bad debt on premiums <i>(assumes 36% bad debt)</i> | (\$439M) |
| Program as outlined is self-sustaining for initial 8 years* | <i>Self-Sustaining</i> |
| <i>* Recommend over-funding the program in the early years of Healthy MD</i> | |

9. Rate-setting process: The MD Insurance Administration, consulting with MHIP and the MD Health Care Commission, would set the base premium to be charged, based on the annual, actual experience of the pool. In setting prices, the State shall allow for a minimal 2% underwriting margin to be paid participating carriers, as reflected in a set PMPM administrative fee approved annually by the MIA based on projections by an external expert actuarial adviser. Any participating carrier that incurs underwriting losses totaling a cumulative \$50 million or 10 percent for two consecutive years may exit the Healthy MD Program Individual Market without negatively affecting its right to continue in the Small Group Market. However, such carriers would relinquish their right to participate in the Maryland Individual Market for five years.

10. Eligibility: All individuals under age 65 who have lived in Maryland at least six months must obtain “creditable” health insurance coverage, defined as at least equal to the coverage benefits offered under the Healthy MD Program. Individuals in households below 300% of FPL who do not qualify for Medicare, Medicaid, SCHIP, or other federal health benefit programs must secure coverage either through employer-sponsored insurance or through the Healthy MD Program. Such individuals would qualify for income-based, sliding-scale subsidies on premiums they pay in the Healthy MD Program. However, such individuals would be exempted from the financial penalties for failing to secure coverage. Individuals from households above 300% of FPL must secure either employer-sponsored insurance or coverage under the Healthy MD Program, without subsidy. Such Individuals who cannot demonstrate creditable coverage for at least six months during the prior 12 month period would be subject to the tax penalty.

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