



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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MEMORANDUM

To: The Honorable Marvin L. Abney
Chairman, House Finance Committee

The Honorable William J. Conley, Jr.
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: March 25, 2019

Subject: New Article for the FY 2020 Appropriations Act
(19-H-5151)

The Governor requests that an additional article, entitled "Relating to Rhode Island Health Benefit Exchange", be submitted alongside the other articles submitted on January 17, 2019. This article amends current statute to repeal the federal parity requirement imposed on the carrier assessment fee charged by the Rhode Island Health Benefit Exchange, and explicitly provides for a 3.5 percent assessment rate on monthly premiums for health plans enrolled through the Exchange. The article thus de-couples the Rhode Island Health Benefit Exchange's premium assessment rate from that charged by the federal government for plans enrolled through the Federal Health Exchange. This change is necessitated by recently proposed federal rulemaking, as discussed below.

On January 24, 2019, the Federal Department of Health and Human Services (HHS) issued a proposed rule, titled Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2020 ("Proposed Rule"), that would reduce the fee it assesses carriers on the Federal Health Benefit Exchange (known as the "Federal Carrier Assessment Fee") from 3.5 percent of premiums to 3.0 percent of premiums. If the Proposed Rule is finalized, this reduction in the federal carrier assessment fee would take effect on January 1, 2020.

Subsection 42-157-4(a) of the General Laws currently restricts the Rhode Island Health Benefit Exchange from raising more revenue from its carrier assessment fee than the Federal Health Benefit Exchange can raise and requires the Rhode Island Health Benefit Exchange's carrier assessment fee to be established in accordance and conformity with the Federal Carrier Assessment Fee. Functionally, this means that if the Proposed Rule is finalized, then, starting in CY 2020, the RI Health Benefit Exchange would only be able to assess insurers a 3.0 percent carrier assessment fee.

As grounds for reducing the Federal Carrier Assessment Fee, HHS asserts in the Preamble to the Proposed Rule that premiums will increase and enrollment will decrease in 2020. This rationale has no applicability to the Rhode Island Health Benefit Exchange, which has seen enrollments steadily increase over the past two years while national enrollments have declined. Additionally,

premium increases on plans offered through the Rhode Island Health Benefit Exchange have been lower on average than premium increases on plans offered through the Federal Health Benefit Exchange.

If the Proposed Rule is finalized and subsection 42-157-4(a) of the General Laws is not amended, the Rhode Island Health Benefit Exchange will lose approximately \$1.0 million in restricted revenue each calendar year, starting in CY 2020. Accordingly, the revisions to 42-157-4(a) contained in this article are required to avoid this substantial loss of revenue and ensure that the Rhode Island Health Benefit Exchange continues to generate the revenue required to effectively and efficiently operate its programs.

If you have any questions regarding this new article, please feel free to call me at 222-6300.

TAM: 20-Amend-12

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Zach Sherman, Director, HSRI
Patrick Crawley, Budget Analyst II

NEW ARTICLE

RELATING TO RHODE ISLAND HEALTH BENEFIT EXCHANGE

SECTION 1. Section 42-157-4 of the General Laws in Chapter 42-157 titled "Rhode Island Health Benefit Exchange" is hereby amended to read as follows:

42-157-4. Financing. (a) The department is authorized to assess insurers offering qualified health plans and qualified dental plans. To support the functions of the exchange, insurers offering qualified health plans and qualified dental plans must remit an assessment to the exchange each month, in a timeframe and manner established by the exchange, equal to three and one-half percent (3.5%) of the monthly premium charged by the insurer for each policy under the plan where enrollment is through the exchange. The revenue raised in accordance with this subsection shall not exceed the revenue able to be raised through the federal government assessment and shall be established in accordance and conformity with the federal government assessment upon those insurers offering products on the Federal Health Benefit exchange. Revenues from the assessment shall be deposited in a restricted receipt account for the sole use of the exchange and shall be exempt from the indirect cost recovery provisions of § 35-4-27 of the general laws.

(b) The general assembly may appropriate general revenue to support the annual budget for the exchange in lieu of or to supplement revenues raised from the assessment under § 42-157-4(a).

(c) If the director determines that the level of resources obtained pursuant to § 42-157-4(a) will be in excess of the budget for the exchange, the department shall provide a report to the governor, the speaker of the house and the senate president identifying the surplus and detailing how the assessment established pursuant to § 42-157-4(a) may be offset in a future year to reconcile with impacted insurers and how any future supplemental or annual budget submission to the general assembly may be revised accordingly.

SECTION 2. This article shall take effect January 1, 2020.