**Implementation of the Affordable Care Act in Maryland**

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Good morning, Chairman Pitts, Ranking Member Pallone, and members of the Health Subcommittee. I am Dr. Joshua M. Sharfstein, a pediatrician and Secretary of the Maryland Department of Health and Mental Hygiene (DHMH). I oversee our state's Medicaid program and serve as Chair of the Board of the Maryland Health Benefit Exchange. I am grateful for the opportunity this morning to speak with you about the implementation of the Affordable Care Act in Maryland.

My testimony today will include:

(1) Background on the key elements of Maryland's health care system and the importance of improved access to care and cost control;

(2) A description of how broad public engagement has guided Maryland's progress implementing the Affordable Care Act;

(3) Specific details on how Maryland, with the support of the U.S. Department of Health and Human Services (HHS), is customizing the tools of the new law; and

(4) A summary of the economic value of health reform implementation to Maryland, according to an independent analysis by the University of Maryland, Baltimore County.

## Background

Over the course of several decades, Maryland has pursued innovation in health care financing and insurance markets to expand access to care, control costs, and promote health.

Important elements of Maryland's health care system include:

- An all-payer approach to hospital payment that eliminates cost-shifting and provides a unique set of mechanisms to improve the value of care;
- A small group market that features guaranteed issue and modified community rating and serves more than 400,000 Marylanders;
- A high-risk pool called the Maryland Health Insurance Plan that provides coverage for more than 20,000 Marylanders who cannot currently obtain health coverage through the individual market;
- A health information exchange that allows doctors and hospitals to obtain information about patients quickly, efficiently, and confidentially;
- An all-payer pilot for primary care medical homes; and
- A Medicaid and CHIP program that covers children up to 300% of the federal poverty line and that expanded in 2008 to include parents of dependent children with incomes up to 116% of the poverty line.

As a result of this most recent Medicaid expansion, more than 97,000 Maryland parents currently have coverage. I've met some of these parents and listened to their stories. For many, injury or illness had pushed them out of jobs or school. Coverage helped them get back on their feet to support their families. In an interview, one mother who lives on the Eastern Shore reported:

> She no longer worries about her husband getting injured on the job and not having insurance. She says having access to health care, "… gives you that freedom to be less stressed. And if I need to go to the doctor I'm not going to be, 'Where am I getting this money from?' I can just go and not worry about it. Or, if I have to pick up a prescription it's not, 'I'm not going to have the money I'm going to have to take it away from

groceries.'"[1]

Despite this progress, major challenges face Maryland's health care system – challenges that are common to most U.S. states. In 2011, more than 700,000 of our citizens were uninsured; substantial disparities in health outcomes remain across the state; and rising health care expenditures and insurance premiums are creating serious concerns about affordability.

Our priorities include further expanding access to care, addressing health disparities, and improving the value of health care by lowering costs, improving the coordination of care, and achieving better outcomes.[2] Our goals include supporting a healthy workforce, healthy families, and a growing economy.

## Public Engagement

On March 23, 2010, Congress passed and President Obama signed the Affordable Care Act. Starting the next day, Maryland began a process of public engagement that has defined our state's approach to implementation.

On March 24, 2010, Governor Martin O'Malley signed an executive order establishing the Maryland Health Care Reform Coordinating Council to study the impact of the new law – chaired by Lt. Gov. Anthony Brown and the Health Secretary. In 2010 alone the Council and its workgroups held more than twenty public meetings across the state and received more than 200 written comments. By January 2011, a broad consensus had emerged that:

[1] Health Care for All. Faces of Maryland's Newly Insured. 2010. Retrieved from http://healthcareforall.com/faces-of-marylands-newly-insured/.

[2] Sharfstein J, Herrera L, Milligan C. Health Care Reform: Caring About Costs, Too. Baltimore Sun. 27 September 2012.

- Marylanders will benefit from many provisions of the Affordable Care Act, such as allowing children to remain on their parents' policies, eliminating pre-existing conditions in the insurance market, expanding seniors' access to prescription drugs, and covering preventive services;
- Maryland should develop a state-based health insurance exchange to integrate our insurance model with our broader initiatives in coverage and delivery system transformation;
- Expanding Medicaid is the best decision for Maryland's providers, the state economy, and the uninsured, who will gain a pathway to primary and preventive health care services rather than simply accessing emergency room services, and
- Health reform provides an opportunity to advance efforts to control costs, expand our health care workforce, integrate behavioral health services, and address unacceptable health disparities.

During the 2011 state legislative session, informed by a report from the Coordinating Council, [3] the Maryland General Assembly passed legislation authorizing the creation of a state-based exchange as a public corporation and an independent unit of state government.[4]

The statute, signed in April, 2011 by Governor O'Malley, established a governing board of nine, including six public members. The law mandated the completion of six studies covering

[3] Maryland Health Care Reform Coordinating Council. Final Report and Recommendations. Retrieved from http://www.healthreform.maryland.gov/wp-content/uploads/2012/03/FINALREPORT.pdf.

[4] Maryland General Assembly. Maryland Health Benefit Exchange Act of 2011. 2011 Laws of Maryland, Ch 2. Retrieved from http://mlis.state.md.us/2011rs/chapters_noln/Ch_2_hb0166T.pdf.

(1) how to finance the Exchange, (2) how to define the small group exchange, (3) the development of market rules to mitigate risk, (4) an operating model, (5) an advertising approach, and (6) the creation of a program to assist Marylanders in navigating the Exchange and selecting from its plans.

To complete these studies, the Board turned to the deep wells of knowledge and experience in our state. We established four advisory committees with 66 Marylanders serving. Committee chairs included local health officials, advocates, insurance brokers, business owners, physicians, and researchers. These committees met a total of 22 times in 2011.

The work of these committees culminated in the Board making a series of 27 specific recommendations for the policy structure of the health benefit exchange to the legislature.[5] These recommendations included keeping the non-group and small group markets separate, giving the Exchange the authority to set minimum standards for insurers, and establishing a program to combat waste, fraud and abuse. By this point in time, there was such broad consensus that the legislature and Governor O'Malley adopted virtually all of these recommendations in a second exchange-related bill in the 2012 legislative session.[6]

The Board of the Maryland Health Benefit Exchange has hired a management team, led by Rebecca Pearce, with substantial experience in the insurance industry. To guide implementation, the team recently convened new advisory committees on outreach and plan management. Many more public meetings of these groups have occurred. Maryland has also

[5] Maryland Health Benefits Exchange. Recommendations for a Successful Maryland Health Benefits Exchange. A Report to the Governor and Maryland General Assembly. Retrieved from http://dhmh.maryland.gov/exchange/pdf/HB0166_MHBE-Report_of_2of2_12-23-11_OGA_1204.pdf.

[6] Maryland General Assembly. Maryland Health Benefit Exchange Act of 2012. 2012 Laws of Maryland, Ch 152. http://mlis.state.md.us/2012rs/chapters_noln/Ch_152_hb0443T.pdf

received public input on plans for exchange financing and essential health benefits. All of our Board meetings are public; we've met in Baltimore, Cecil, and Montgomery Counties and most meetings have at least 40 observers. Information about the Exchange and its meetings is available online at www.marylandhbe.com.

These public consultations – and those yet to come – are the cornerstone of our approach to implementing the Affordable Care Act in Maryland. Getting input helps us make the best decisions and also helps us identify missteps early so we can change course. This broad and inclusive strategy has put us in position to succeed in 2014.

## Customizing the Affordable Care Act

Maryland has made multiple decisions to tailor implementation of the Maryland Health Benefits Exchange and the Medicaid expansion to the unique environment in our state. Significant efforts have been made to integrate the Exchange and Medicaid to create a seamless experience. We have also strived to integrate popular aspects of the existing private insurance market.

Through statute, regulation, and policy, Maryland has made many decisions on the shape of the Maryland Health Benefit Exchange. These include:

- To provide for a fair playing field, requiring that insurers over a certain size participate in the state-based Exchange;
- Allowing insurance brokers to sell inside the exchange and continue to be paid directly by carriers, receiving compensation comparable to what they receive now;
- Developing a connector program for outreach based on specific regions in the state;

- Selling adult dental plans as an option for participants;
- Setting a path for involvement of essential community providers in health plans;
- Establishing a partnership program to allow Maryland's third party administrators to continue managing the majority of our small group market; and
- Designing the "Maryland Health Connection" as the consumer portal for access to coverage. Today, Marylanders can send a text message of "Connected" to 69302 to be notified when coverage is available.

Led by our Medicaid Director Charles Milligan, Maryland is also taking advantage of the flexibility available to states with respect to the Medicaid expansion. Examples of our choices include:

- Allowing women in private health plans who become newly eligible for Medicaid as a result of a pregnancy be allowed to stay in their private plans while having Medicaid dollars pay their premiums;
- Using new tools to re-balancing long-term care services away from institutional settings such as nursing homes toward community and home-based care; and
- Integrating our existing eligibility structure at local health department and social service offices into a new online eligibility system.

Creating a state-based exchange in tandem with expanding Medicaid has allowed for significant collaboration and integration. We are developing a seamless eligibility system that has one entry point for the uninsured, regardless of whether they qualify for Medicaid or private insurance. Outreach programs and customer services will also be integrated, and we

are taking steps to ensure that individuals who "churn" between Medicaid and Exchange plans based on changes in their income will receive continuous care.

Throughout this process, Maryland has received critical guidance and technical assistance from both the Center on Consumer Information and Insurance Oversight (CCIIO) and the Center for Medicaid and CHIP Services (CMCS) at the Centers for Medicare and Medicaid Services (CMS). This support has been provided through multi-state meetings and regular consultation available to all states. CCIIO and CMCS have also provided Maryland-specific input on policy and implementation since our early efforts to begin implementation and have allowed Maryland flexibility to make choices that will most benefit our state. An internal working group has regular technical assistance phone and in-person meetings with CCIIO and CMSC, which have resulted in highly valuable guidance on technical issues such as eligibility rules and processes, income determination, and consumer assistance strategies.

Funding from the CCIIO has been essential to our ability to rapidly implement the Affordable Care Act. Maryland was one of a small number of states to be awarded the Early Innovator Grant in March, 2011. We received $6.2 million to support early IT work, such as the development of a prototype for modeling the point of access for the Exchange and integration with state legacy and the federal portal systems. Second, we received a Level 1 Establishment Grant in August, 2011 in the amount of $27 million. This funding has been used to fund the initial administration and operation of the Exchange and to scale-up the prototype infrastructure into an operational platform ready to be deployed. Finally, we received a Level 2 Establishment Grant in August, 2012. This grant, worth $123 million, is supporting the Exchange's operations, program integration, and education and outreach. Much of this funding

will also be used to develop applications that allow for instantaneous eligibility determinations and transfer of information to plan issuers and state agencies.

A key challenge to effective implementation of health care reform in Maryland is developing an IT strategy that addresses new Medicaid eligibility rules and the launch of the Exchange. Our existing Medicaid eligibility system is antiquated and has significant limitations. Funding from HHS is giving Maryland the opportunity to develop a modern infrastructure that will have lasting value for state residents.

We have developed a set of requirements and selected a lead contractor and set of software vendors in February, 2012 who are working to prepare for the October, 2013 launch. We are well into a series of development sprints and have shared many tools and documents with other states to help them prepare for implementation. We have developed and are executing the approach to link the new eligibility system with nearly ten other systems in the state, most notably Medicaid's payment system.

None of this work is simple, but it is worth the effort. We have a tremendous, dedicated team working together to solve problems and put Maryland in a position to succeed. We are very pleased that on Monday, Maryland was one of six states to receive provisional certification for our state-based exchange from HHS.

## Economic Analysis

A central goal of implementing the Affordable Care Act has always been to help Marylanders find affordable health coverage that allows them to maintain their health and quality of life. A recent study in the *New England Journal of Medicine* shows that state-led

expansions of health coverage translate into better health and significantly reduced mortality rates among individuals with low income.[7] It is also the case that implementing the Affordable Care Act will have positive effects beyond improved health. In addition to improving the health of our citizens, the law will improve the health of the Maryland economy.

In July 2012, the Hilltop Institute, a nonpartisan research organization at the University of Maryland Baltimore County, released the results of a study of how implementation of the Exchange and Medicaid would impact health coverage and the state economy.[8] Through the use of a simulation model, they were able to predict how many individuals would gain coverage, changes to the state unemployment rate, and the impact on the state budget.

According to the study, the Affordable Care Act will expand health coverage to 284,000 Marylanders through the Exchange and 187,000 through the Medicaid expansion. This will result in more than 95 percent of U.S. citizens in Maryland having health insurance. As more individuals gain health insurance, this creates additional economic activity in the health care industry, which then affects other aspects of the state economy.

The study estimated this new economic activity would, by 2020, benefit the state by around $3 billion per year and create more than 26,000 jobs. It also estimated that the Affordable Care Act would benefit the state's budget by more than $600 million through 2020 – through such mechanisms as prescription drug rebates, a reduced need for state-funded prescription drug assistance, and increased revenues from premium assessments as the

[7] Sommers BD, Baiker K, Epstein AM. Mortality and Access to Care among Adults after State Medicaid Expansions. New England Journal of Medicine 2012;367:1025-1034.

[8] Hilltop Institute. Maryland Health Care Reform Simulation Model, Detailed Analysis and Methodology. Retrieved from http://www.hilltopinstitute.org/publications/SimulationModelProjections-July2012.pdf

number of insured individuals grows. In addition, the economic activity generated by the law is estimated generate more than $800 million in additional state and local tax revenue by 2020. According to the projection, this incoming revenue exceeds the state cost of the Medicaid expansion – both considering the direct expansion and the potential "woodwork" effect of more people obtaining coverage in existing eligibility categories.

## Conclusion

Implementation of the Affordable Care Act puts Maryland on a path for better health, a healthier workforce, and a stronger economy. Guided by public input and engagement, Maryland plans to make good use of the many tools that the law provides.

As the Secretary of Health, I travel the state speaking to and hearing from Marylanders about health care reform. I always take questions. The questions are generally not about the latest Board decisions, recent guidance from CMS, or news from Washington, DC. The questions are driven by personal experience: about pain after an accident, or a feared cancer diagnosis, or concern about the future of a child with chronic disease, or a struggle with the emerging complications of diabetes. And the most common question I hear is: "When is help coming?"

With respect to our state-based exchange and the Medicaid expansion, I say that we are very close. I am candid that much work remains to be done. I tell them that we are looking forward to a leap forward for health in January 2014.

Thank you for the opportunity to testify, and I look forward to your questions.