



State Assessments
Massachusetts, Maine and Vermont

The purpose of this *Alert* is to update you on recent additions and changes to state fee requirements for Massachusetts, Maine and Vermont which are applicable to group health plans.

New Fee Assessment under Massachusetts Chapter 224

Overview

In August 2012, the Massachusetts legislature enacted Chapter 224 of the Acts of 2012, “An Act Improving the Quality of Health Care and Reducing Costs Through Increased Transparency, Efficiency, and Innovation” (“Chapter 224”). The purpose of this new law is to bring health care spending growth in line with growth in the state’s overall economy while improving health care quality and patient care.

Chapter 224 created the following two new state agencies:

- Health Policy Commission (HPC)
- Center for Health Information and Analysis (CHIA)

These agencies are charged with monitoring and enforcing the benchmark for health care cost containment, looking closely at health care market power, price variation and cost growth among individual health care entities.

To fund these activities, Chapter 224 includes the following provisions:

- A one-time assessment on certain acute hospitals and all health plans in 2013, with the funds to be distributed as detailed below
- Ongoing assessments to fund CHIA (which replace the Health Safety Net (“HSN”) surcharge health plans currently pay)

The chart below outlines each element and its impact.

Requirement	Regulatory Details
<p>One-time assessment to be distributed among the:</p> <ul style="list-style-type: none"> • Health Care Payment Reform Fund (to provide incentives, grants, or technical assistance to entities trying to develop payment or delivery system changes) • Distressed Hospital Fund (to distribute funds to certain non-profit community hospitals) • Prevention & Wellness Fund (to fund evidence-based community prevention activities with the goal of reducing costly preventable health conditions) • e-Health Institute Fund (to expand and disseminate e-health information technology) 	<p>Who pays?</p> <p>Hospitals and surcharge payors who pay Health Safety Net (HSN) surcharge assessments. As required under the regulations, Health Plans has been and will continue to collect surcharges from our clients and submit the payments to the state on their behalf.</p> <p>How much?</p> <p>The state goal is to raise \$165,000,000 through the assessment. In late December, 2012, proposed regulations were issued providing for the determination and payment of the assessment. By April 1, 2013, the state is expected to finalize the regulations and issue invoices which apportion the cost among payors based on the HSN payments each payor made for FY 2012 (10-1-11 through 9-30-12). Health Plans estimates that clients will be assessed an amount that approximates the HSN surcharges they paid in FY 2012.</p>

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Massachusetts: New Fee Assessment under Chapter 224 cont'd

New MA Fee Chart, *cont'd*

Requirement	Regulatory Details
<p>One-time assessment, <i>cont'd</i></p>	<p>When are payments due to the state?</p> <p>While the assessment is a one-time assessment, it may be paid over a 4 year period due annually on June 30 beginning June 30, 2013. As such, in order to relieve our clients from having to make a potentially substantial lump sum payment, Health Plans will apportion the required payments over the 4 year period.</p> <p>When will the assessments be collected?</p> <p>Within the next few weeks, Health Plans will notify clients of the estimated assessments due for their plans and will send a subsequent notification of the actual amount due once we receive the state's invoice. The assessments will be paid as a plan expense in the same manner as all other state surcharge payments. The first annual payment due will be reflected on clients' funding request reports at the beginning of May 2013 in order to allow sufficient time for Health Plans to collect and remit the first payment to the state by the June 30, 2013 deadline. Health Plans will follow this same process for the next three years, reflecting each annual payment due on the May funding requests to allow for sufficient time to collect and remit payments to the state by the June 2014, June 2015 and June 2016 deadlines.</p> <p>Can a client pay the assessment directly to the state?</p> <p>No. Since Health Plans, as a third party administrator, is the "surcharge payor" under the regulations, Health Plans must collect our clients' portion of the assessment and remit it to the state.</p> <p>What happens if a client changes to a different TPA or carrier before the total assessment has been paid?</p> <p>Clients will be required to pay any outstanding balance at termination.</p>
<p>Ongoing CHIA assessment/surcharge to replace the current HSN surcharge</p>	<p>Who pays?</p> <p>Acute hospitals, ambulatory surgical centers and health plans that have been paying HSN surcharges</p> <p>How much?</p> <p>Payments are a percentage of the hospital and ambulatory surgical center claims paid for each plan. The current percentage is 1.87%. The state has not yet set the new percentage.</p> <p>When is payment due?</p> <p>Health Plans currently calculates the state surcharge payments owed by each client during the first week of the month based on the client's claims paid in the previous month. The surcharges are paid as a plan expense and reflected on clients' funding request reports accordingly. Health Plans collects the amounts from our clients and remits to the state each month. The state has not, yet, determined if the payments will continue to be due monthly or on a different cycle. Health Plans will notify our clients of any change to the payment schedule and of the new rate required under Chapter 224 once determined by the state. We will then continue to calculate the amounts due, reflecting the surcharge amounts on clients' funding request reports, paying the amounts as a plan expense, and remitting to the state.</p>

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Changes to State Vaccine Assessments

Massachusetts

The Massachusetts Office of Health and Human Services has recently announced that the Pediatric Immunization Program Assessment will increase from 1.9% to 2.8% to cover projected costs of the program for 2013. As in past years, the assessment is a percentage of claims paid to certain acute care Massachusetts hospitals and ambulatory surgical centers during the months of March, April and May. Payments for this year's assessments are due to the state by April 20, May 20 and June 20, 2013.

Maine

Effective April 1, 2013, the Maine Vaccine Board ("the MVB") has increased the monthly pediatric immunization assessment from \$6.81 to \$8.16 per child covered life (i.e., per covered member under age 19 residing in Maine). In voting for the increase, the MVB noted that the costs of the pediatric immunization program are rising due both to increased utilization and the inclusion of additional vaccines under the program.

Vermont

The Vermont Immunization Pilot Program, originally scheduled to run through December 31, 2012, has become the Vermont Immunization Program. Going forward, **Health Plans** will receive two invoices from the state instead of one. The first is payable in March (based on enrollment data from the prior fiscal year) and the second in September (adjusted to reflect membership in the first quarter of the calendar year). This change is designed to produce a more accurate annual assessment to fund the Immunization Program.

What These Changes Mean for You

If your plan has paid claims to certain Massachusetts acute care hospitals and ambulatory surgical centers, you have covered members under age 19 who reside in Maine, or you have covered members who reside in Vermont, **Health Plans** has reflected the assessments on your funding request reports, paid the assessments as a plan expense, and submitted the funds to the states on your behalf. **Health Plans** will continue this process going forward, applying the new assessment rates and payment schedules accordingly.

This Alert is intended to provide a summary of our understanding of significant developments which may affect our clients' plans. It should not be construed as specific legal advice or legal opinion. The contents are for general informational purposes only and are not a substitute for the advice of legal counsel.