

2015 Legislative Fact Sheet  
Budget Proposal for FY16 ending June 30, 2016:  
*Exchange Funding*



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**Link:** House Bill 5900, Article 1, at page 6, and Article 28, starting at page 525  
<http://webservice.rilin.state.ri.us/BillText/BillText15/HouseText15/H5900.pdf>

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**Summary:** The budget proposal sets funding levels for the coming fiscal year, ending June 30, 2016, revises current fiscal year spending through June 30, 2015, and sets other policies.

This is the first budget that includes an allocation of State funds to support the Exchange and to propose a method for allocating that expense among insurance carriers.

- Exchange funding is a total of \$30 million for FY16.
  - The State's share is about \$6 million and federal funds would cover about \$24 million.
  - The State would assess carriers, allocated according to market share on and off Exchange.
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**Details:** **Exchange Operations**

- The budget bill does not include any details on Exchange establishment or operations.
- For the purposes of the budget, the Exchange continues to fall under the Department of Administration.
- It would employ 16 staff members, including one person working on a state health grant (SIMs).

**Funding Method**

The Secretary of the Executive Office of Health and Human Services (currently Secretary Roberts), calculates premium assessment rates based on:

1. The budget for the Exchange, separated into small group and direct pay components according to Exchange enrollment in each market.
2. The total premium dollars expected to be written in each market, on and off the Exchange.
3. The assessment rate is the ratio of costs to premiums, within each market.

The assessment would first be imposed on policies for coverage beginning January 1, 2016.

Carriers may pass on the cost of the assessment within the related markets through premiums.

In 2016, the State projects an assessment rate of 3.8% of premium in the direct pay market and 1% in small group, according to media reports. The Secretary is to set the assessment percentage annually by January 1<sup>st</sup> for the subsequent calendar year. The assessment will be paid on a quarterly basis, beginning in January 2016.

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**Comments:**

- At \$6 million, the State's share is substantially less than the amounts proposed by the previous administration.
- This amount is relatively consistent with the costs under a Federally Facilitated Exchange.

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**Reference documents:**

*Governor's budget briefing material, Volume 1 – General Government and Quasi-Public Agencies, pages 91-95.*  
[http://www.budget.ri.gov/Documents/CurrentFY/BudgetVolume1/1\\_Department%20Of%20Administration.pdf](http://www.budget.ri.gov/Documents/CurrentFY/BudgetVolume1/1_Department%20Of%20Administration.pdf)

*Number of questions about Raimondo's proposed health insurance surcharge, Providence Journal, posted March 13, 2015.* <http://www.providencejournal.com/article/20150313/News/150319631>

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*Please note the proposal may be changed by the Governor or the Assembly. This summary is subject to revision based on continuing examination of the State's documents and should not be relied upon for legal or tax advice.*