

**Testimony of Kirsten LC Figueroa, Commissioner
Department of Administrative and Financial Services**

**Before the Joint Standing Committees on
Appropriations and Financial Affairs
and Health Coverage, Insurance and Financial Services**

“An Act to Make Supplemental Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and to Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2025”

January 23, 2025

Good morning, Senator Rotundo, Representative Gattine, and members of the Joint Standing Committee on Appropriations and Financial Affairs; Senator Bailey, Representative Mathieson and members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services. I am Kirsten Figueroa, the Commissioner of the Department of Administrative and Financial Services. I am here today to present a portion of the fiscal year 2025 supplemental budget bill.

State Benefit Mandate Defrayal (Z373)

The initiative on **page A-2** in the **State Benefit Mandate Defrayal** program reduces funding for the state benefit mandate defrayal program by \$3.3 million in FY25. The projected cost in FY25 for the calendar year 2024 claims is estimated to be approximately \$500,000.

By way of reminder, under the Affordable Care Act (ACA), the federal government provides tax credits and cost sharing reductions to eligible individuals who buy Qualified Health Plans (QHPs) on the Health Insurance Marketplace. This subsidy program began in 2014, and since that time states have been required to defray the costs of all newly created mandated health benefits that are included in QHPs, unless those mandates are required as part of the ACA’s essential health benefit (EHB) package.

What this means, at a high level, is that if Maine mandates coverage beyond the essential health benefits in Maine’s EHB package, the state must cover the cost by reimbursing the carriers that offer QHPs (QHP issuers). A 2024 GAO report clarified the state’s responsibility to pay defrayal reimbursement.

It is important to note that defrayal only represents the costs of state mandates not included in the EHB benchmark plan for individual coverage sold on CoverME.gov. Small and large group plans are also required to cover state mandated benefits, as are off-Marketplace individual plans. The cost of state mandates for those plans is paid by the policyholders through premiums, and is not covered by defrayal.

To estimate the impact of a mandate, the state must estimate the cost for each additional mandated benefit based on an actuarial analysis. The amount reimbursed to QHP issuers is based on the actual costs incurred in providing the mandated benefit. The current annual appropriation for this program is \$3.8 million, based on a previous actuarially supported estimate that was completed on January 10, 2023.

The defrayal account and payment process is shared between DAFS and the Bureau of Insurance (BOI). The defrayal account is in DAFS; rules and mandate studies to estimate defrayal costs as well as finalizing actual payments are in BOI. Once BOI determines the reimbursement amount based on actual claims, DAFS will issue the payments to the relevant carriers. We anticipate making payments related to CY2024 claims before the end of FY25.

Since the original estimate, the BOI worked with their external actuary to refine the estimated cost for the fertility defrayal. The actuary based the updated estimate off actual experience in Maryland, which has a similar fertility benefit, and limits on the benefit adopted by the Bureau in its final rule in May 2024. Based on this updated analysis the total defrayal estimate is \$1.2 million each year.

The reimbursement for the CY2024 claims is projected to be \$500,000. This number is based on unexpectedly low claim volume for the first two quarters of 2024. The low claim volume can be attributed in part to the newness of the benefit and the fact that policyholders tend to obtain more costly services later in the year after their deductible has been met. However, the claim volume is expected to go up as more people learn about and make greater use of the benefit.

An initiative also appears in the biennial budget reducing the appropriation for the defrayal of the infertility benefit by \$2.6 million each year to align the appropriation with the \$1.2 million updated estimate developed by the actuary. Going forward, the BOI will collect quarterly claims data from the insurers so we can carefully monitor this benefit, and subsequently refine our estimates and budget requests, as necessary.

This concludes my testimony. I'm happy to take questions for the work session where BOI will be in attendance. Thank you.