

Department of Legislative Services  
Maryland General Assembly  
2004 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 845 (Delegate Kach, *et al.*)

Health and Government Operations

Finance

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Maryland Health Care Commission and Maryland Insurance Administration -  
Affordability of Health Insurance in Maryland - Study and Recommendations

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This bill requires the Maryland Health Care Commission (MHCC) and the Maryland Insurance Administration (MIA) to conduct studies of the affordability of health insurance in Maryland.

The bill takes effect July 1, 2004 and terminates January 31, 2006.

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Fiscal Summary

**State Effect:** MHCC special fund expenditures and revenues each increase by \$100,000 in FY 2005 and 2006.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** MIA, in consultation with MHCC must study: (1) the number of and regulatory requirements relating to health insurance carriers in contiguous states and the District of Columbia; and (2) the role of tax-deferred health savings accounts and other models of offering health insurance designed to increase consumer awareness of the cost of health care services. MHCC must study: (1) the factors that contribute to increases in health care costs, including utilization of health care services; (2) ways to educate consumers about health care issues and promote personal accountability in health care; (3) ways in which disease management programs can promote the appropriate

management of chronic diseases; (4) ways to encourage strategies to purchase health care that focus on quality and patient safety; (5) ways to facilitate a more effective and efficient health care delivery system, including improved information technology and evidence-based medicine; (6) innovative programs in other states designed to encourage the appropriate use of health care services; and (7) ways to make health insurance more understandable to both employers and consumers.

MHCC and MIA must develop recommendations on ways to make private health insurance more affordable for State residents. MHCC and MIA must report on their findings and recommendations, providing an interim report by January 1, 2005 and a final report by January 1, 2006.

**Background:** According to a recent U.S. Census Bureau report, the number of uninsured U.S. residents increased by 2.4 million in 2002, bringing the total to 43.6 million people. The overall percentage of uninsured increased from 14.6% to 15.2% in 2002. While the majority of Americans with health insurance in 2002 (175.3 million) received it through an employment-based plan, 73.6 million Americans received health insurance from public programs, such as Medicare, Medicaid, and Tricare/CHAMPVA for military families.

**State Fiscal Effect:** MHCC special fund expenditures and revenues would each increase by \$100,000 in fiscal 2005 and 2006. MHCC must contract with a consultant to assist in data collection and analysis to provide the information required by the report.

MHCC is specially funded through fees imposed on payors and providers. As a result of the increase in expenditures, MHCC would raise provider fees by an amount to exactly offset the increase in expenditures. Future year estimates reflect the bill's termination date.

MIA could handle the reporting requirements with existing resources.

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### **Additional Information**

**Prior Introductions:** HB 516 of 2001 would have permitted carriers to offer discounts to small groups for employees who did not use tobacco. The bill was reported unfavorably by the House Economic Matters Committee.

**Cross File:** SB 537 (Senator Astle) – Finance.

**Information Source(s):** Department of Health and Mental Hygiene (Medicaid, Maryland Health Care Commission), Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2004  
mh/jr Revised - House Third Reader - March 30, 2004

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