

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 202 (Delegate Hubbard, *et al.*)
 Health and Government Operations

Maryland Medical Assistance Program - Eligibility Expansion

This bill expands Medicaid coverage to parents with a dependent child living with them and childless adults with annual household incomes up to 116% of federal poverty guidelines (FPG).

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: State expenditures (50% general funds, 50% federal funds) could increase by \$404.4 million in FY 2008. Future years reflect enrollment growth and inflation. No effect on revenues.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	202,194,700	226,242,200	252,918,100	282,327,100	314,745,500
FF Expenditure	202,194,700	226,242,200	252,918,100	282,327,100	314,745,500
Net Effect	(\$404,389,400)	(\$452,484,400)	(\$505,836,200)	(\$564,654,200)	(\$629,491,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal to none.

Analysis

Bill Summary: The Department of Health and Mental Hygiene (DHMH) must apply to the federal Centers for Medicare and Medicaid Services (CMS) for a waiver that would allow Maryland to receive federal matching funds to cover childless adults up to 116% FPG. If DHMH is denied the waiver, eligibility will not be extended to this population.

Current Law: An adult may qualify for Medicaid if the adult is: (1) aged, blind, or disabled; (2) in a family where one parent is absent, disabled, unemployed, or underemployed; or (3) a pregnant woman. Adults must also have very low incomes to qualify for Medicaid (about 46% FPG). The Maryland Children's Health Program (MCHP) covers children with family incomes up to 300% FPG and pregnant women with incomes up to 250% FPG. The Maryland Primary Adult Care Program (MPAC) provides primary care, pharmacy, and outpatient mental health benefits to individuals aged 19 and over with incomes up to 116% FPG. MPAC does not cover inpatient hospital, emergency room, or specialty care services.

Background: The Kaiser Commission on Medicaid and the Uninsured reports that the national median income threshold for parents applying for Medicaid is 42% FPG for nonworking parents and 65% FPG for working parents, while income thresholds in Maryland are 31% FPG and 38% FPG, respectively.

State Expenditures: Assuming CMS waiver approval, Medicaid expenditures could increase by \$403.5 million (50% general funds, 50% federal funds) in fiscal 2008 to expand Medicaid coverage to parents and childless adults with household incomes up to 116% FPG, which accounts for the bill's July 1, 2007 effective date. The information and assumptions used in calculating the estimate are stated below:

- an estimated 189,122 Marylanders with incomes up to 116% FPG will be uninsured in 2008, of whom 154,472 are adults;
- 45,724 uninsured childless adults (40%) will enroll in Medicaid;
- 24,098 uninsured parents (60%) will enroll in Medicaid;
- 23,917 individuals will drop their private health insurance and enroll in Medicaid ("crowd-out effect");
- 75% of newly enrolled adults will have an annual cost of \$4,775;
- 25% of newly enrolled adults will have an annual cost of \$6,197;
- 10,395 children, already eligible for Medicaid, will enroll ("woodwork effect") at an annual cost of \$1,907 per child;

- the 21,513 individuals currently covered in the MPAC program will receive full benefits, but are already included in the numbers of new enrollees;
- expenditures would be offset by \$73.9 million, the Governor’s proposed fiscal 2008 budget for MPAC; and
- DHMH will incur the following personnel expenses to hire 30 full-time positions because existing resources are inadequate to handle an additional 104,133 enrollees.

Salaries and Fringe Benefits	\$1,488,404
Other Operating Expenses	<u>214,125</u>
Total	\$1,702,529

Additionally, administrative expenditures for the Department of Human Resources are anticipated to increase by approximately \$903,310 in fiscal 2008 to for 18.2 full-time equivalent staff to conduct Medicaid eligibility determination at local departments of human services.

Salaries and Fringe Benefits	\$794,311
Other Operating Expenses	<u>108,999</u>
Total	\$903,310

Future year estimates reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; (3) increased enrollment (1% population growth and 2% annual increase in enrollment rate for adults); and (4) 6.5% medical inflation in the Medicaid program. Future year expenditures are offset by savings from discontinuation of the MPAC program.

Additional Comments: The Health Services Cost Review Commission indicates that expansion of MCHP to 80,216 previously uninsured individuals could result in as much as \$120.9 million in reduced hospital uncompensated care by fiscal 2010. Savings of as much as \$39.9 million could be realized in fiscal 2008, with savings of \$90.7 million in fiscal 2009. This savings could be used to fund expansion of health insurance coverage or reduce hospital rates, which in turn reduces the cost of health insurance for all payors.

Exhibit 1 displays the projected number of individuals who would gain access to health insurance under the bill, the corresponding proportion of uninsured, and the anticipated number of individuals who would enroll in available insurance options.

**Exhibit 1:
Projected Access and Enrollment
Expansion of Medicaid Eligibility to 116% FPG**

Access Expanded To	154,472 adults
Percentage of Uninsured	19.2%
New Enrollees	69,821 adults (45,724 childless adults 24,098 parents)
Crowd-out Enrollees	16,151 adults 7,766 children
“Woodwork” Effect Enrollees	10,395 children
Total Enrollees	85,973 adults 18,161 children

Exhibit 2 displays the 2007 FPG by family size for 116% FPG.

**Exhibit 2
2007 Federal Poverty Guidelines**

<u>Family Size</u>	<u>116% FPG</u>
1	\$11,844
2	\$15,880
3	\$19,917
4	\$23,954

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Health Insurance Coverage in Maryland Through 2005*, Maryland Health Care Commission, January 2007, *Resuming the Path to Health Coverage for Children and Parents: A 50 State Update on Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and SCHIP in 2006*, Kaiser Commission on Medicaid and the Uninsured, January 2007, Department of Health and Mental Hygiene; Department of Legislative Services

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