

Department of Legislative Services  
Maryland General Assembly  
2018 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

Senate Bill 1016  
Finance

(Senator Rosapepe)

Rules and Executive Nominations

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State Employee and Retiree Health and Welfare Benefits Program – Employees  
of Qualifying Organizations

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This bill authorizes local boards of education, including the Baltimore City Board of School Commissioners, to participate as satellite organizations in the State Employee and Retiree Health and Welfare Benefits Program (the State health plan). Participation in the State health plan by any satellite organization may not impede, undermine, or conflict with the State health plan's federal compliance obligations or governmental or cafeteria plan status. The bill also establishes a Task Force to Study Cooperative Purchasing for Health Insurance and related reporting requirements. **The task force terminates September 30, 2022.**

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Fiscal Summary

**State Effect:** Authorization for local boards of education to join the State health plan has no direct effect on State finances or retiree health liabilities as satellite organizations must cover the full cost of their participating employees, and their retirees are not authorized to participate in the plan. General fund expenditures by the Department of Budget and Management (DBM) increase minimally in FY 2019 and 2020 to support the work of the task force; the Maryland Insurance Administration (MIA) can staff the task force with existing resources.

**Local Effect:** Local boards of education may benefit from having their employees participate in the State health plan, but the boards must pay the full cost if they authorize their employees to participate. No effect on revenues.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** An employee of a local board of education may enroll and participate in the State health plan with the approval of the board.

The task force must (1) study models of cooperative purchasing of health insurance and (2) make recommendations generally related to expanding coverage under the State health plan to other satellite organizations, while minimizing costs and without adversely affecting benefits provided to participating employees. The Procurement Advisor to the Board of Public Works chairs the task force, and DBM and MIA jointly provide staff to the task force. The task force must report its findings and recommendations to the Governor and General Assembly by January 1, 2020.

**Current Law/Background:** The State health plan is a self-insured plan covering all units in the Executive, Judicial, and Legislative branches of State government. It must include the health insurance benefit options established by the Secretary of Budget and Management; it does not include any pension benefits.

Retirees of the State may continue to participate in the State health plan if they receive a State pension and meet other specified criteria.

Statute specifies certain organizations or entities whose employees are eligible to participate in the State health plan as a separate account, or “satellite organizations.” Employees of county and municipal governments may enroll and participate in the State health plan with the approval of the respective governing body; local boards of education are not explicitly authorized to participate. The governing body must pay the State the total cost resulting from the participation of its employees and determine the extent to which the governing body will subsidize its employees’ participation.

In general, unlike State employees, former employees and retirees of county and municipal governments may not continue to participate in the State health plan upon retirement.

There are currently approximately 53 satellite organizations covered by the State health plan.

**State Expenditures:** DBM advises that the work of the task force requires expertise on federal law and health benefits that the agency does not have internally. Therefore, DBM anticipates increased expenditures for a health benefits consultant and legal counsel, but a reliable estimate is not feasible until the task force begins its work. Although the task force extends into fiscal 2023, its final report is due January 1, 2020, so expenditures for outside consultants and legal support are assumed to occur only in fiscal 2019 and 2020.

## Additional Information

**Prior Introductions:** None.

**Cross File:** HB 1131 (Delegate Morhaim) - Appropriations.

**Information Source(s):** Department of Budget and Management; Board of Public Works; Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 2018  
nb/rhh Third Reader - May 16, 2018  
Revised - Amendment(s) - May 16, 2018  
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