

Department of Legislative Services  
 Maryland General Assembly  
 2021 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 470 (Delegate Ruth)  
 Health and Government Operations

Public Health - Commission on Universal Health Care

This bill establishes the Commission on Universal Health Care to develop a plan for the State to establish, by January 1, 2024, a universal health care program to provide health benefits to all residents of the State through a single-payer system. The commission must submit (1) by June 1, 2022, an interim progress report on the development of a plan and (2) by October 1, 2023, the plan to establish the health care system. The Maryland Department of Health (MDH) must provide staff for the commission. **The bill takes effect June 1, 2021, and terminates June 30, 2025.**

Fiscal Summary

**State Effect:** No effect in FY 2021. MDH general fund expenditures increase by *at least* \$3.3 million in FY 2022 to staff the commission, hire consultants, and prepare the plan. Future years reflect additional consulting costs in FY 2023, ongoing expenditures, and termination of the contractual positions at the end of FY 2025. Revenues are not affected.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	3,324,800	904,200	107,700	111,300	0
Net Effect	(\$3,324,800)	(\$904,200)	(\$107,700)	(\$111,300)	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

### Bill Summary:

#### *Commission on Universal Health Care*

The commission consists of (1) the Secretary of Health (or the Secretary's designee), as an *ex officio* member; (2) four members appointed by the Governor, with the advice and consent of the Senate; (3) three members appointed by the President of the Senate; and (4) three members appointed by the Speaker of the House. The bill establishes extensive procedures and criteria for the selection and appointment of commission members. A member of the commission may not receive compensation but is entitled to a per diem rate and reimbursement for expenses, as provided in the State budget. A member of the commission must adhere strictly to conflict-of-interest provisions.

#### *Universal Health Care Program*

The health care program must be designed to (1) provide comprehensive, affordable, and high-quality publicly financed health care coverage for all residents of the State; (2) include a benefit package covering primary care, preventive care, chronic care, acute episodic care, and hospital services; (3) ensure that all federal payments for health care services provided in the State are paid directly to the program and assume responsibility for the benefits and services currently paid for and provided under specified State and federal programs; (4) include health care coverage provided by employers that choose to participate and to State, county, and municipal employees; and (5) contain costs, as specified.

The commission, the Maryland Health Benefit Exchange (MHBE), and MDH may apply for waivers of requirements of health care programs under federal law that are necessary to establish the program.

#### *Required Plan*

The plan must include (1) a timeline for the establishment of the program; (2) specified plans for transition to the program; (3) a proposed operating structure; (4) cost projections and recommendations for financing; (5) a proposed health benefit package to be offered in the program and an analysis of whether the program should include specified benefits; and (6) recommendations for legislation required to establish the program.

**Current Law:** The State provides comprehensive health care coverage through Medicaid and the Maryland Children's Health Program (MCHP) to eligible individuals. The State also provides comprehensive health care coverage to State employees, retirees, and their

eligible dependents through the State Employee and Retiree Health and Welfare Benefits Program (State plan). In calendar 2021, the State plan covers 129,340 individuals.

### *Medicaid and the Maryland Children's Health Program*

Medicaid generally covers children, pregnant women, elderly or disabled individuals, low-income parents, and childless adults. To qualify for Medicaid, applicants must pass certain income and asset tests. Effective January 1, 2014, Medicaid coverage was expanded to persons with household incomes up to 138% of federal poverty guidelines (FPG), as authorized under the federal Patient Protection and Affordable Care Act (ACA). MCHP is Maryland's name for medical assistance for low-income children. MCHP provides all the same services as Medicaid. A premium of about 2% of family income is required of child participants with family incomes above 200% FPG. As of December 2020, there were 1,383,743 individuals enrolled in Medicaid and 143,722 children enrolled in MCHP in Maryland.

### *The Federal Patient Protection and Affordable Care Act*

The ACA requires nongrandfathered health plans to cover 10 essential health benefits (EHBs), which include items and services in the following categories: (1) ambulatory patient services; (2) emergency services; (3) hospitalization; (4) maternity and newborn care; (5) mental health and substance use disorder services, including behavioral health treatment; (6) prescription drugs; (7) rehabilitative and habilitative services and devices; (8) laboratory services; (9) preventive and wellness services and chronic disease management; and (10) pediatric services, including dental and vision care.

Under § 31-116 of the Maryland Insurance Article, EHBs must be included in the State benchmark plan and, *notwithstanding any other benefits mandated by State law*, must be the benefits required in (1) all individual health benefit plans and health benefit plans offered to small employers (except for grandfathered health plans) offered outside MHBE and (2) all qualified health plans offered in MHBE.

**State Expenditures:** The bill requires the commission, which is established June 1, 2021, to submit (1) by June 1, 2022, an interim progress report and (2) by October 1, 2023, a plan for the State to establish a single-payer universal health care program by January 1, 2024. The commission terminates June 30, 2025.

Given the complexity of the plan's required components, general fund expenditures increase by *at least* \$3.3 million in fiscal 2022, which accounts for a 30-day start-delay from the bill's June 1, 2021 effective date. This estimate reflects the cost of hiring two full-time contractual positions (one program manager and one administrator) to staff the commission and the cost to hire a consultant to conduct the required cost analysis and

assist the commission in developing the required plan. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It does not reflect commission-related administrative costs such as printing, mailing, or per diem or mileage reimbursement for members. Based on MDH’s costs for the most recent Medicaid § 1115 waiver renewal application and the significant complexity and scope of the commission’s work, consultant costs are estimated to be approximately \$4.0 million (assumed to be incurred as \$3.2 million in expenditures in fiscal 2022 and \$800,000 in expenditures in fiscal 2023).

Contractual Positions	2.0
Consultant Costs (Minimum)	\$3,200,000
Salaries and Fringe Benefits	113,344
One-time Start-up Expenses	10,180
Ongoing Operating Expenses	<u>1,310</u>
<b>Total FY 2022 State Expenditures</b>	<b>\$3,324,834</b>

Future year expenditures reflect annual increases and employee turnover and ongoing operating expenses for continued staffing of the commission. The two contractual positions, which are assumed to be needed for duration of the commission, terminate at the end of fiscal 2025.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the ACA.

This estimate does not reflect the potential cost of any waiver applications necessary to establish the program nor any fiscal impact related to implementation of the plan.

### **Additional Information**

**Prior Introductions:** SB 228 of 2020 received a hearing in the Senate Finance Committee, but no further action was taken.

**Designated Cross File:** SB 522 (Senator Pinsky, *et al.*) - Finance.

**Information Source(s):** Department of Budget and Management; Maryland Health Benefit Exchange; Maryland Department of Health; Maryland Insurance Administration; Maryland Association of Counties; Maryland Municipal League; Department of Legislative Services

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Analysis by: Jennifer B. Chasse

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510