SB 800

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 800 (Senator Derr)
Finance

Mandated Health Insurance Benefits - Process of Evaluation

This bill establishes a ten-member Joint Committee on Mandated Health Insurance Benefit to review and evaluate the cost of all mandated benefits on an annual basis. The combined average cost of all mandated benefits may not exceed 0.2% of Maryland's average annual wage, otherwise the committee will recommend to the Legislative Policy Committee by December 1 of that year which benefit to modify or eliminate. If a member of the General Assembly pre-files a proposal for mandated benefits by July 1 of any year, the committee must review and evaluate the proposal and make a recommendation by December 1 of the same year. The bill repeals the authority of the Interdepartmental Committee on Mandated Health Insurance Benefits.

Fiscal Summary

State Effect: Assuming the committee has to report to the Legislative Policy Committee by December 1, 1997, general fund expenditures could increase by $30,000 in FY 1998. Future year expenditures reflect inflation. Revenues would not be affected.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	---	---	---	---	---
GF Expenditures	$30,000	$30,600	$31,200	$31,800	$32,500
Net Effect	($30,000)	($30,600)	($31,200)	($31,800)	($32,500)

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

Local Effect: None.

Small Business Effect: Potential meaningful effect on small businesses as discussed below.

Fiscal Analysis

State Expenditures: If the committee has to report to the Legislative Policy Committee by December 1, 1997, actuarial costs for fiscal 1998 would be approximately $30,000. This estimate is based on the actuarial cost incurred by the Health Care Access and Cost Commission (HCACC) for the analysis of the cost implications of mandated benefits/legislation introduced in the 1996 legislative session for the Comprehensive Standard Health Benefit Plan (CSHBP). The actuarial cost in 1996 for HCACC was approximately $26,000. Future year expenditures reflect inflation of 2%.

Staff support by the legislative staff agencies could be provided with existing resources.

Although the State is self-insured and not required to cover mandated health benefits, in the past the State employee health benefit plan has always included coverage for mandated health benefits. If the combined average cost of all mandated benefits has been increasing every year, the bill would place a cap on the annual increase in health insurance premiums to the State employee health benefit plan and stabilize the growth rate of medical care costs. If, however, the combined average cost of mandated health benefits has been lower than the 0.2% cap recommended by this bill, it may create an incentive to increase the level of mandated benefits each year to meet the cap of $59.40, based on projected average annual wage in Maryland in 1996 of $29,700 for 2,080 hours of work per year.

Small Business Effect: As discussed above, if the combined average cost of mandated benefits has been increasing every year and the bill caps the annual increase in health insurance premiums to small businesses, small businesses would benefit. If, however, the combined average cost of mandated health benefits has been lower than the 0.2% cap recommended by this bill, small businesses would experience a higher growth rate in health insurance costs if the cap is met every year.

Information Source(s): Insurance Administration; Department of Health and Mental Hygiene (Medical Care Policy Administration, Health Care Access and Cost Commission); Department of Fiscal Services

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