Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 1401 (Delegates Redmer and Ports)
Economic Matters

Health Insurance - Continuation Coverage for Dependent Children

This bill provides that a dependent child upon reaching the limiting age for dependent coverage under a group health insurance contract offered through a health insurer, nonprofit health service plan, or HMO may elect to purchase continuation coverage through the group contract. The continuation coverage under the group contract must begin from the date the change in status occurred for the dependent child and end on the earliest of the circumstances specified in the bill. The bill requires the Insurance Commissioner to promulgate regulations specifying the form and content of the election notification form for continuation coverage. In addition, the Commissioner must make the election notification forms available to each employer and publish, at least annually, in the Maryland Register and in a newspaper of general circulation in each county notice regarding the continuation coverage.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues and decrease in general fund expenditures.

Local Effect: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate minimal amount. Revenues would not be affected.

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

Fiscal Analysis

Bill Summary: The period for electing to continue coverage begins on the date of the change in status and ends at least 45 days after that date. The dependent child must pay to the employer (1) the sum of the employer contribution for a dependent child and any contribution that the insured would have been required to pay if there had been no change in status; and

(2) a reasonable administrative fee that is subject to review and approval by the Insurance Commissioner.

State Effect: Under the provisions of the federal Consolidated Omnibus Budget Reconciliation Act (COBRA), dependent children who reach the limiting age, in addition to individuals affected by other qualifying events, are eligible for continuation coverage. COBRA provides, for a dependent child reaching the limiting age, that (1) the dependent child has 60 days after the date of the change in status to elect continuation coverage; and (2) the dependent child must pay 100% of the premium for an individual coverage plus a 2% administrative fee if they elect the continuation coverage. COBRA applies to employer groups with at least 20 employees.

Since COBRA pre-empts state law and the State employee health benefit plan currently provides continuation coverage to dependent children that complies with COBRA, expenditures for the State employee health benefit plan would not be affected.

Existing law provisions relating to continuation coverage for surviving and divorced spouses and their dependent children, and for involuntarily terminated employees already require the Insurance Administration to publish notice of the coverage in the Maryland Registry and a newspaper in each county. In addition, the Insurance Administration is already required to make the election notification forms available to each employer. As a result, the bill's requirements for the Insurance Administration could be handled with existing resources.

This bill would only affect group health insurance coverage for employer groups with fewer than 20 employees. To the extent that some dependent children would now be able to elect continuation coverage, where they previously could not, the number of uninsured persons in Maryland could decrease minimally, thereby decreasing the amount of uncompensated care. This could result in reduced expenditures for: (1) the Medicaid program and the State employee health benefit plan due to lower hospital rates; (2) health services funding to local health departments which serve the "grey-area" population (those who have too much income to be eligible for Medicaid but cannot afford health insurance); and (3) the Primary Care for the Medically Indigent program which serves those not eligible for Medicaid. Any such decrease cannot be reliably estimated at this time, although it could be assumed to be minimal.

Because additional dependent children may now purchase continuation coverage, more insurance policies may be sold, meaning that general fund revenues could increase by a minimal amount in fiscal 1998 due to the State's 2% insurance premium tax. The State's premium tax is only applicable to "for-profit" insurance carriers. In addition, general fund revenues could increase by a minimal amount if carriers have to file new rates and forms to the Insurance Administration and pay a $100 rate and/or form filing fee.

Local Expenditures: Local health expenditures could decrease by an indeterminate minimal amount to the extent that the bill may result in fewer uninsured individuals in a jurisdiction.

Small Business Effect: Since carriers that offer group health insurance coverage to employers with at least 20 employees have to comply with COBRA, this bill would have no effect on these small employer groups. For businesses with less than 20 employees that offer health insurance benefits, the bill should have no impact since it requires the dependent child who elects to continue coverage to pay the employer contribution for the dependent plus an administrative fee.

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

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