

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 151 (Senator Dorman)
Finance

Referred to Economic Matters

Health Insurance - Dependent Children and Grandchildren -
Coverage Requirements

This amended bill requires health insurers to provide health insurance coverage to dependent children and grandchildren who are unmarried, under the age of 24, enrolled as a full-time student in an institution of higher education, and financially dependent on the individual who has health insurance coverage.

Fiscal Summary

State Effect: General fund revenues could increase and general fund expenditures could decrease by an indeterminate amount in FY 1998.

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

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

Fiscal Analysis

Bill Summary: The bill requires the Health Care Access and Cost Commission (HCACC) to study the cost implications to the Comprehensive Standard Health Benefit Plan of providing the coverage required in this bill. HCACC must report its recommendations to the Senate Finance Committee and the House Economic Matters Committee by November 1, 1997. This provision takes effect June 1, 1997.

State Revenues: General fund revenues could increase by an indeterminate minimal amount in fiscal 1998 as a result of the State's 2% insurance premium tax that would apply to any increased health insurance premiums resulting from the bill. The State's premium tax is only

applicable to “for-profit” insurance carriers.

In addition, general fund revenues could increase by an indeterminate minimal amount since insurance companies that do not already provide the coverage mandated by the bill’s requirements will be subject to rate and form filing fees. Each insurer (except HMOs) that revises its rates and amends its insurance policy must submit the proposed change(s) to the Insurance Administration and pay a \$100 rate and/or form filing fee. The number of insurers who will file new forms and rates as a result of the bill’s requirements cannot be reliably estimated at this time, since rate and form filings often combine several rate and policy amendments at one time.

State Expenditures: General fund expenditures could decrease by an indeterminate minimal amount in fiscal 1998 as a result of the bill’s impact on Medicaid recipients. Some Medicaid recipients may be able to obtain private health insurance coverage as a result of the bill, and as such, would not require State assistance. The number of Medicaid recipients impacted by the bill, however, is expected to be very small (approximately two to five people a year) and the savings is expected to be very small.

There would be no increase of general fund expenditures since the State employee health benefit plan currently covers the individuals identified in the bill.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount, depending upon the current type of health care coverage offered and number of employees.

Small Business Effect: In 1995, 40% of small businesses were covered under the comprehensive standard health benefit plan (CSHBP) which is not subject to State mandates. Currently, the CSHBP covers dependents who are full-time students up to the age of 23 years.

For the remaining 60% of small businesses and self-employed persons, health insurance costs would increase if: (1) they offer health insurance; (2) their health plan is subject to mandated benefits; and (3) their health plan does not offer health insurance coverage to the dependents identified in the bill.

The effect of requiring health insurers to expand the dependent eligibility criteria will subject health insurance companies to potential health care cost increases resulting from the cost of covering additional individuals on a family policy. As a result of this bill, the affected health insurance carriers may raise premiums. The increased costs to small businesses and self-employed persons who purchase the affected insurance policies cannot be reliably estimated

at this time. Alternatively, small businesses could pass an increase in insurance premium costs onto their employees.

Some health insurers may already cover the individuals identified in the bill. For those insurance carriers the bill will have no impact on health premiums, and consequently no impact on self-employed persons and small businesses that purchase those health insurance policies.

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

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Analysis by: Lina Walker	Direct Inquiries to:
Reviewed by: John Rixey	John Rixey, Coordinating Analyst
	(410) 841-3710
	(301) 858-3710