HB 506

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

House Bill 506 (The Speaker, *et al.*)
(Administration)
Environmental Matters Referred to Finance

Health Care Services - Thriving by Three Program

This amended bill establishes a Thriving by Three program in the Department of Health and Mental Hygiene (DHMH) that provides, through private health insurance carriers, a specified health benefit package to eligible individuals subject to the limitations of the State budget. An individual qualifies to receive health benefits under the program if the individual: (1) has a family income at or below 200% of the federal poverty level; (2) does not have access to employer-based health insurance and has not voluntarily terminated private health insurance coverage within the preceding six months; and (3) is a pregnant or postpartum woman or is a child younger than four years of age.

The bill takes effect July 1, 1997.

Fiscal Summary

State Effect: Action by the House and Senate makes the proposed 1998 budget allowance for the Thriving by Three program contingent on passage of HB 506 or SB 233. Senate action on the proposed budget reduces the appropriation to fund health care for uninsured pregnant women and children from $8.31 million to about $7.44 million, while the House action maintains the appropriation at $8.31 million. General fund expenditures for the Thriving by Three program are estimated to be about $602,300 and increased Medicaid expenditures are expected to be about $5.44 million, resulting in a $6.04 million expenditure increase to fund uninsured pregnant women and children, of which $2.72 million is federal funds. Enactment of this bill would enable a reduction in general fund expenditures from the 1998 budget allowance by $1.4 million relative to the Senate action on the proposed budget and $2.27 million relative to the House action on the proposed budget.

Local Effect: Local expenditures for health services could decrease by an indeterminate amount. No effect on revenues.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Fiscal Analysis

Bill Summary: DHMH must contract with managed care organizations (MCOs), HMOs, health insurers, or other health carriers to provide health care services under the program, in accordance with the State finance and procurement article. DHMH and the contracting provider must publicize the program and provide outreach efforts throughout the State. Each qualified individual must pay an annual premium subject to a sliding scale established by DHMH, which is at least \$50 for each eligible child and \$100 for each eligible pregnant or postpartum woman.

DHMH must study and report to the Senate Finance Committee, the House Environmental Matters Committee, and the General Assembly by July 1, 1998: (1) the feasibility of paying the private carriers participating in the program on a capitated basis; and (2) the cost of the services under the program, the sliding scale established by DHMH, and the premium contribution of each recipient.

State Effect: Senate action on the proposed budget includes (1) \$1.7 million (100% general funds) to expand health insurance coverage to the Thriving by Three population; (2) \$300,000 (100% general funds) for administrative and outreach costs for the Thriving by Three program; and (3) \$5.44 million (50% federal funds, or \$2.72 million) for increased enrollment in Maryland Kids Count (MKC) and Pregnant Women and Children (PWC) programs due to the publicity surrounding the Thriving by Three program. House action on the proposed budget includes \$2.57 million to fund health care services for the State-funded only population of pregnant women and children and items 2 and 3 mentioned above.

Based on the assumptions discussed below, it is estimated that health care expenditures for the Thriving by Three population would be \$302,300. Administrative and outreach costs for the program would be approximately \$300,000, resulting in total expenditures for the State-funded only Thriving by Three program of \$602,300. It is assumed that publicity surrounding the program would produce an increase in PWC and MKC enrollment as women and children who qualify for these programs but have never applied for assistance seek coverage. Therefore, Medicaid expenditures are anticipated to increase for the PWC and MKC programs by \$5.44 million, of which \$2.72 million is federal funds. Total overall expenditures as a result of the bill would be \$6.04 million (\$3.32 million in general funds and \$2.72 million in federal funds). Passage of this bill would enable a reduction in general fund expenditures from the 1998 budget allowance by \$1.4 million relative to the Senate action on the proposed budget and $2.27 million relative to the House action on the proposed budget.

The costs associated with the bill depend on the following variables: (1) the number of eligible women and children who fall into the income category between 185% and 200% of the federal poverty level; (2) the utilization rate of the eligible population in the program; (3) the cost of the health benefit coverage offered through private health insurance carriers; and (4) the sliding scale established by DHMH.

Size of the Eligible Population and Estimated Utilization Rates

There are approximately 940 eligible women and 3,930 eligible children whose family income falls between 185% and 250% of the federal poverty level. Assuming a uniform distribution of women and children across the income range, it is estimated that there are about 217 eligible women and 907 eligible children with family income between 185% and 200% of the federal poverty level. The existing Maryland Kids Count (MKC) program has a utilization rate of approximately 26%. It is anticipated that utilization rates for children under this program would be lower than the experience of the MKC program because of the cost-sharing feature of the Thriving by Three program. Moreover, it is anticipated that the less healthy children are more likely to participate in the program. Assuming utilization rates of 50% for the eligible women and 20% for the eligible children, there would be about 109 women and 181 children receiving benefits through the program.

Cost of the Health Benefit Package

DHMH must contract with private carriers to offer the benefit package. Although the bill does not specify the cost of the benefit package, regulations could be promulgated to set a limit or range within which the cost of the package have to fall. Using an estimate of $2,000 per pregnant woman and $576 per child, total health care expenditures for this population of recipients would be about $322,300, which does not include hospital charges. It is noted, however, that the benefits package specified in the bill for pregnant women includes coverage for delivery fees. If hospital costs are included in delivery fees, then costs for pregnant women could increase by a substantial amount. Under the Medicaid managed care waiver program, delivery costs are about $4,000. The cost to the State, however, would be mitigated by the contributions from each recipient, which is dependent on the sliding scale established by DHMH. If each recipient pays the minimum amount, as specified in the bill ($100 per woman and $50 per child), and assuming the above population and utilization rates, revenues from recipients to offset the State's cost would be approximately $20,000. Consequently, overall State annual health care expenditures for the State-funded only population would be $302,300 in general funds in fiscal 1998.

Total Cost of State-funded only Thriving by Three Program

Expenditures for administrative and outreach efforts for the program are assumed to be $300,000. This cost could be incurred by either DHMH or the private health carrier, or both. Consequently, total expenditures for the Thriving by Three program would be $602,300.

The table below shows the income levels for the target population based on family size.

Eligible Income by Percentage of Federal Poverty Level

% of Poverty Level	Family of 2	Family of 3	Family of 4
200%	$20,720	$25,960	$31,200
185%	$19,166	$24,013	$28,860

The number of uninsured persons in Maryland could decrease as a result of this bill, 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.

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

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

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