
By: **Delegate Redmer**

Introduced and read first time: February 12, 1999

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Children's Health Care - Pilot Program - Refundable Tax Credit for**
3 **Employer Sponsored Health Benefit Plan**

4 FOR the purpose of establishing a certain pilot program under which a tax credit that
5 certain individuals having income not exceeding certain levels may claim
6 against their State income liability for certain health insurance premiums paid
7 by the individual under certain circumstances; making the credit refundable
8 under certain circumstances; requiring certain carriers to submit to the
9 Maryland Insurance Commissioner for approval certain health benefit plans;
10 defining certain terms; providing for the application of this Act; providing for the
11 termination of this Act; and generally relating to establishing a certain tax
12 credit for payment of certain health insurance premiums by certain low-income
13 individuals under certain circumstances.

14 BY repealing and reenacting, without amendments,
15 Article - Health - General
16 Section 15-301
17 Annotated Code of Maryland
18 (1994 Replacement Volume and 1998 Supplement)

19 BY adding to
20 Article - Insurance
21 Section 15-124.1
22 Annotated Code of Maryland
23 (1997 Volume and 1998 Supplement)

24 BY adding to
25 Article - Tax - General
26 Section 10-712
27 Annotated Code of Maryland
28 (1997 Replacement Volume and 1998 Supplement)

1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
2 MARYLAND, That the Laws of Maryland read as follows:

3 **Article - Health - General**

4 15-301.

5 (a) In this section, "carrier" means:

6 (1) An insurer;

7 (2) A nonprofit service plan;

8 (3) A health maintenance organization; or

9 (4) Any other person that provides health benefit plans subject to
10 regulation by the State.

11 (b) There is a Children and Families Health Care Program.

12 (c) The Children and Families Health Care Program shall provide, subject to
13 the limitations of the State budget and any other requirements imposed by the State
14 and as permitted by federal law or waiver, comprehensive medical care and other
15 health care services to an individual who has a family income at or below 200 percent
16 of the federal poverty level and who is under the age of 19 years.

17 (d) On or before July 1, 1999, the Department of Health and Mental Hygiene
18 shall develop and implement a program to provide comprehensive medical care and
19 other health care services to eligible individuals with a family income that is above
20 185 percent of the federal poverty level but does not exceed 200 percent of the federal
21 poverty level through employer sponsored health benefit plans or individual health
22 benefit plans.

23 (e) The Children and Families Health Care Program shall be administered
24 through:

25 (1) The program under Subtitle 1 of this title requiring individuals to
26 enroll in managed care organizations; or

27 (2) The program developed under subsection (d) of this section.

28 (f) (1) Except as provided in paragraph (2) of this subsection, upon
29 implementation of the program under subsection (d) of this section, an individual
30 with a family income that is above 185 percent of the federal poverty level but does
31 not exceed 200 percent of the federal poverty level is not eligible for the program
32 under Subtitle 1 of this title and is only eligible to receive a voucher to cover the costs
33 of dependent coverage if:

34 (i) Dependent coverage is available to the individual under an
35 employer sponsored health benefit plan or an individual health benefit plan; and

1 (ii) Dependent coverage under an employer sponsored health
2 benefit plan or individual health benefit plan has been certified by the Secretary
3 under paragraph (4) of this subsection at the time the individual is determined to be
4 eligible for the Children and Families Health Care Program.

5 (2) An individual who is in the Children and Families Health Care
6 Program under Subtitle 1 of this title may remain in that program even if a certified
7 employer sponsored health benefit plan or a certified individual health benefit plan
8 becomes available.

9 (3) An eligible individual may be enrolled in an employer sponsored
10 health benefit plan or individual health benefit plan under:

11 (i) An independent insurance policy; or

12 (ii) An add-on to an existing policy.

13 (4) (i) A carrier that intends to participate in the Children and
14 Families Health Care Program under subsection (d) of this section shall submit its
15 health benefit plan to the Secretary.

16 (ii) The Secretary, in consultation with the Commissioner, shall
17 certify, within a reasonable time, if the employer sponsored health benefit plan or
18 individual health benefit plan meets the coverage requirements under Title XXI of
19 the Social Security Act and any other federal requirements, and includes a benefit
20 that is substantially equivalent to the early and periodic screening diagnosis and
21 treatment program.

22 (iii) If the Secretary determines that the employer sponsored health
23 benefit plan or individual health benefit plan does not meet the requirements of
24 subparagraph (ii) of this paragraph, the Secretary shall notify the carrier of that
25 determination within a reasonable time.

26 (iv) As part of the certification review under subparagraph (ii) of
27 this paragraph, the Secretary shall ensure that the premium payment for the eligible
28 individual's portion of the benefit cost to be paid by the State in accordance with
29 paragraph (6)(ii) of this subsection, does not exceed the cost that the State would
30 incur if the individual was enrolled in the program under Subtitle 1 of this title.

31 (v) A carrier participating in the Children and Families Health
32 Care Program shall offer its health benefit plans:

33 1. For employer sponsored health benefit plans to each
34 employer that has employees with dependents who may qualify for the program
35 under subsection (d) of this section; or

36 2. For individual health benefit plans to each individual who
37 may qualify for the program under subsection (d) of this section.

1 (5) A carrier that participates in the Children and Families Health Care
2 Program shall submit a certification of eligibility for the eligible individual on the
3 form required by the Secretary.

4 (6) In consultation with the Commissioner, the Secretary shall:

5 (i) Approve premium payments at a level that is adjusted to the
6 benefits provided; and

7 (ii) Upon notice of enrollment of an eligible individual into a
8 qualified employer sponsored health benefit plan or individual health benefit plan,
9 make premium payments for the eligible individual's portion of the benefit cost
10 directly to the carrier.

11 (g) (1) In this subsection, "family contribution" means the portion of the
12 premium cost paid by an eligible individual to enroll and participate in the Children
13 and Families Health Care Program.

14 (2) On or before July 1, 1999 and in addition to any other requirements
15 of this subtitle, as a requirement to enroll and maintain participation in the Children
16 and Families Health Care Program, an individual's parent or guardian shall agree to
17 pay an annual family contribution amount determined by the Department in
18 accordance with paragraph (3) of this subsection.

19 (3) (i) For eligible individuals whose family income is at or above 185
20 percent of the federal poverty level, the Department shall develop an annual family
21 contribution amount payment system such that the cost of the family contribution is
22 at least 1 percent of the annual family income but does not exceed 2 percent of the
23 annual family income.

24 (ii) The Department shall determine by regulation the schedules
25 and the method of collection for the family contribution amount under subparagraph
26 (i) of this paragraph.

27 **Article - Insurance**

28 15-124.1.

29 (A) IN THIS SECTION, "GROUP HEALTH INSURANCE" HAS THE MEANING
30 STATED IN § 15-301 OF THIS TITLE.

31 (B) THIS SECTION APPLIES TO INSURERS AND NONPROFIT HEALTH SERVICE
32 PLANS THAT ISSUE OR DELIVER GROUP HEALTH INSURANCE POLICIES IN THE
33 STATE.

34 (C) (1) SUBJECT TO SUBSECTION (D) OF THIS SECTION, WHEN ISSUING OR
35 RENEWING A GROUP HEALTH INSURANCE POLICY WITH AN EMPLOYER THAT DOES
36 NOT INCLUDE DEPENDENT COVERAGE, AN ENTITY SUBJECT TO THIS SECTION MAY
37 OFFER TO ANY INSURED EMPLOYEE OF THE EMPLOYER, UNDER A PILOT PROGRAM
38 ESTABLISHED UNDER THIS SECTION, A HEALTH BENEFIT PLAN WITH DEPENDENT

1 COVERAGE TO COVER ANY DEPENDENT OF THE EMPLOYEE AS PART OF THE
2 CHILDREN AND FAMILIES HEALTH CARE PROGRAM ESTABLISHED UNDER § 15-301 OF
3 THE HEALTH - GENERAL ARTICLE.

4 (2) THIS PILOT PROGRAM APPLIES ONLY TO EMPLOYEES WHO RESIDE IN
5 CECIL, CAROLINE, KENT, QUEEN ANNE'S, TALBOT, DORCHESTER, WICOMICO, AND
6 WORCESTER COUNTIES.

7 (D) FOR ANY HEALTH BENEFIT PLAN THAT AN ENTITY SUBJECT TO THIS
8 SECTION OFFERS TO AN INSURED EMPLOYEE UNDER SUBSECTION (C) OF THIS
9 SECTION, THE HEALTH BENEFIT PLAN SHALL SATISFY THE REQUIREMENTS OF §
10 15-301 OF THE HEALTH - GENERAL ARTICLE TO BE CONSIDERED A QUALIFYING PLAN
11 TO ENABLE THE EMPLOYEE, IF APPLICABLE, TO CLAIM A TAX CREDIT UNDER § 10-712
12 OF THE TAX - GENERAL ARTICLE.

13 (E) (1) AN ENTITY SUBJECT TO THIS SECTION THAT PROPOSES TO OFFER A
14 HEALTH BENEFIT PLAN WITH DEPENDENT COVERAGE UNDER SUBSECTION (C) OF
15 THIS SECTION SHALL FILE ITS PROPOSED HEALTH BENEFIT PLAN WITH THE
16 COMMISSIONER ON OR BEFORE THE DATE DESIGNATED BY THE COMMISSIONER FOR
17 THE PURPOSE OF THE COMMISSIONER DETERMINING WHETHER THE ENTITY'S
18 PROPOSED HEALTH BENEFIT PLAN SATISFIES THE REQUIREMENTS OF § 15-301 OF
19 THE HEALTH - GENERAL ARTICLE.

20 (2) UNLESS THE COMMISSIONER PREVIOUSLY HAS DISAPPROVED A
21 HEALTH BENEFIT PLAN, THE PLAN IS DEEMED APPROVED 60 DAYS AFTER ITS FILING
22 WITH THE COMMISSIONER.

23 **Article - Tax - General**

24 10-712.

25 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
26 INDICATED.

27 (2) "APPLICABLE POVERTY INCOME LEVEL" MEANS THE AMOUNT
28 SPECIFIED IN THE POVERTY INCOME STANDARD THAT CORRESPONDS TO THE
29 NUMBER OF EXEMPTIONS TO WHICH THE INDIVIDUAL IS ENTITLED AND CLAIMS
30 UNDER § 10-211(1) OF THIS TITLE.

31 (3) "ELIGIBLE LOW-INCOME TAXPAYER" MEANS AN INDIVIDUAL, OR AN
32 INDIVIDUAL AND THE INDIVIDUAL'S SPOUSE IF THEY FILE A JOINT TAX RETURN:

33 (I) WHOSE MODIFIED ADJUSTED GROSS INCOME DOES NOT
34 EXCEED 225% OF THE APPLICABLE POVERTY INCOME LEVEL; AND

35 (II) WHO IS NOT CLAIMED AS AN EXEMPTION ON ANOTHER
36 INDIVIDUAL'S TAX RETURN UNDER § 10-211 OF THIS TITLE.

37 (4) "MODIFIED ADJUSTED GROSS INCOME" MEANS THE GREATER OF:

1 (I) FEDERAL ADJUSTED GROSS INCOME AS MODIFIED UNDER §§
2 10-204 THROUGH 10-206 OF THIS TITLE; AND

3 (II) EARNED INCOME AS DEFINED UNDER § 32(C)(2) OF THE
4 INTERNAL REVENUE CODE.

5 (5) "POVERTY INCOME STANDARD" MEANS THE MOST RECENT POVERTY
6 INCOME GUIDELINE PUBLISHED BY THE UNITED STATES DEPARTMENT OF HEALTH
7 AND HUMAN SERVICES, AVAILABLE AS OF JULY 1 OF THE TAXABLE YEAR.

8 (B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, AN ELIGIBLE
9 LOW- INCOME TAXPAYER MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN
10 AN AMOUNT EQUAL TO THE APPLICABLE PERCENTAGE SPECIFIED IN SUBSECTION
11 (C) OF THIS SECTION OF PREMIUMS PAID BY THE ELIGIBLE LOW-INCOME TAXPAYER
12 ATTRIBUTABLE TO DEPENDENT COVERAGE UNDER A HEALTH BENEFIT PLAN
13 INSURANCE POLICY OR CERTIFICATE WITH DEPENDENT COVERAGE THAT IS A
14 QUALIFYING PLAN UNDER § 15-124.1 OF THE INSURANCE ARTICLE.

15 (2) AN ELIGIBLE LOW-INCOME TAXPAYER DESCRIBED IN SUBSECTION
16 (C)(3) OF THIS SECTION MAY CLAIM THE CREDIT FOR PREMIUMS PAID BY THE
17 ELIGIBLE LOW-INCOME TAXPAYER ATTRIBUTABLE TO DEPENDENT COVERAGE
18 UNDER A HEALTH BENEFIT PLAN THAT IS NOT A QUALIFYING PLAN UNDER § 15-124.1
19 OF THE INSURANCE ARTICLE.

20 (C) THE APPLICABLE PERCENTAGE UNDER SUBSECTION (B) OF THIS SECTION
21 IS:

22 (1) 100% IF THE ELIGIBLE LOW-INCOME TAXPAYER'S MODIFIED
23 ADJUSTED GROSS INCOME DOES NOT EXCEED 185% OF THE APPLICABLE POVERTY
24 INCOME LEVEL;

25 (2) 85% IF THE ELIGIBLE LOW-INCOME TAXPAYER'S MODIFIED
26 ADJUSTED GROSS INCOME IS GREATER THAN 185% OF THE APPLICABLE POVERTY
27 INCOME LEVEL BUT DOES NOT EXCEED 200% OF THE APPLICABLE POVERTY INCOME
28 LEVEL; AND

29 (3) 75% IF THE ELIGIBLE LOW-INCOME TAXPAYER'S MODIFIED
30 ADJUSTED GROSS INCOME IS GREATER THAN 200% OF THE APPLICABLE POVERTY
31 INCOME LEVEL BUT DOES NOT EXCEED 225% OF THE APPLICABLE POVERTY INCOME
32 LEVEL.

33 (D) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR
34 EXCEEDS THE STATE INCOME TAX IMPOSED ON THE ELIGIBLE LOW-INCOME
35 TAXPAYER FOR THAT TAXABLE YEAR, CALCULATED BEFORE APPLICATION OF THE
36 CREDITS UNDER THIS SECTION AND §§ 10-701 AND 10-701.1 OF THIS SUBTITLE, BUT
37 AFTER APPLICATION OF THE OTHER CREDITS ALLOWABLE UNDER THIS SUBTITLE,
38 THE EXCESS OF THE CREDIT SHALL BE REFUNDED.

39 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
40 July 1, 1999 and shall be applicable to all taxable years beginning after December 31,

1 1998 but before January 1, 2003. This Act shall remain effective for a period of 4 years
2 and, at the end of June 30, 2003, with no further action required by the General
3 Assembly, this Act shall be abrogated and of no further force and effect.