Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 71 (Chairman, Appropriations Committee)
(Departmental - Budget and Management)
Appropriations

State Employee Benefits Program - Satellite Organizations

This departmental bill repeals the requirement that qualifying not-for-profit organizations that participate in the State's Employee and Retiree Health and Welfare Benefits Program as satellite organizations pay the costs assessed by the Department of Budget and Management for settlement of claims and expenses resulting from participation on an experience-rating basis.

The bill takes effect July 1, 1999.

Fiscal Summary

State Effect: Minimal or no short-term impact, and no long-term impact, on the State's Employee and Retiree Health and Welfare Benefits Program resulting from the shift to flat rate premium pricing for the satellite organizations.

Local Effect: Potential reduction in medical insurance expenses for local governments that participate as satellite organizations if, in a given year, medical claims exceed premiums paid to the Department of Budget and Management.

Small Business Effect: The Department of Budget and Management has determined that this bill has minimal or no impact on small business (attached). Legislative Services generally concurs with this assessment. Certain nonprofit small businesses that participate as satellite organizations may experience a potential reduction in medical insurance expenses if, in a given year, medical claims exceed premiums paid to the Department of Budget and Management.

Fiscal Analysis

Background: Section 2-512 of the State Personnel and Pensions Article permits certain defined organizations and governmental entities to participate in the State Employee and Retiree Health Benefits Program under the terms and conditions identified as a "satellite organization." Satellite organizations are allowed to participate in the benefit plans offered by the State (and receive the same benefits coverage) in exchange for payment of the total premium, including both the employee and the employer share. Section 2-512 has been interpreted to require that the State experience-rate the satellite organizations on an annual basis, by calculating the total premiums paid by each satellite organization as compared to claims paid for the individuals covered under the satellite account, and then charging the account for any excess of claims over collected premiums.

If an employee of a satellite organization experienced a medical catastrophe, such as an extended hospital stay or chemotherapy, then the amount of claims could easily exceed the amount of premiums collected. Because experience rating is required in that situation, the satellite organization would be required to pay the excess costs to the State.

State Effect: The bill alters the premium charged to satellite accounts so that additional payments by a satellite account will not be required if the amount of claims paid actually exceed the premiums collected. The bill clarifies that experience rating of satellite organizations is not required. The bill will not have a fiscal impact over the long-term because any years in which the claims costs for the satellite organizations exceed the premiums collected will be offset by other years in which premiums exceeded claims (i.e., when there were no catastrophic medical expenses). Also, even if in a given year claims exceed premiums, this deficiency would be minimal relative to the size of the department's employee health program.

Information Source(s): Department of Budget and Management, Department of Legislative Services

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ncs/jr

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