SB 625

Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 625 (Senator Bromwell)
Finance

Mandated Health Insurance Services - Cost Determination

This bill requires the Health Care Access and Cost Commission (HCACC) to determine, on an annual basis, the cost of mandated health insurance services in Maryland. HCACC must submit an annual report evaluating any mandated benefit enacted, legislatively proposed, or otherwise submitted to HCACC by a member of the General Assembly prior to July 1 of that year. If HCACC determines that the cost of all mandated benefits exceeds 2.2% of Maryland's average annual wage, HCACC must evaluate the social, medical, and financial impact of all existing mandated benefits and submit a report to the General Assembly by October 1 of the following year.

The bill takes effect July 1, 1999.

Fiscal Summary

State Effect: Special fund expenditures would increase by $5,000 in FY 2000. Expenditures could increase as much as $200,000 if the cost of mandated benefits reaches 2.2% of Maryland's average wage. Special fund revenues from fees would increase annually by an amount to exactly offset expenditure increases. Future year expenditures and revenues reflect inflation.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
SF Revenues	$5,000	5,000	$5,100	$5,200	$5,200
SF Expenditures	5,000	5,000	5,100	5,200	5,200
Net Effect	$0	$0	$0	$0	$0

Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Background: This bill expands the scope of legislation enacted in 1998 (SB 136/Chapter 588) that requires the Health Care Access and Cost Commission (HCACC) to: (1) annually evaluate the social, medical, and financial impacts of proposed mandated benefits; and (2) conduct an initial evaluation of the cost of existing mandated benefits as a percentage of Maryland's average wage and health benefit premiums and make certain recommendations to the General Assembly. HCACC estimates that it will spend $60,000 - $70,000 during fiscal 1999 to implement the requirements of SB 136. The proposed fiscal 2000 budget includes $30,000 to carry out the bill's requirements, which reflects HCACC's original estimate of 5 proposed mandates that would require evaluation. HCACC now believes there will be approximately 10 proposed mandates subject to evaluation and HCACC estimates actual expenditures in fiscal 2000 will be approximately $70,000.

State Effect: This bill (1) requires HCACC to annually update the full cost of all existing mandated health benefits; (2) codifies the provision in SB 136 that requires HCACC to annually evaluate the costs of all proposed mandated benefits; and (3) requires HCACC to do a full evaluation of all existing mandates if the cost of mandated benefits reaches 2.2% of Maryland's average wage.

Annual Update of Full Cost of Mandates: HCACC and its actuarial consultant, Mercer, Inc., estimate that it will cost $5,000 to update the full cost of all existing mandates, resulting in a special fund expenditure of $5,000 for fiscal 2000.

Annual Evaluation of Proposed Mandates: HCACC and Mercer estimate that it will cost $6,500 to evaluate the cost of each proposed mandate. There is no fiscal impact associated with this provision of the bill because it codifies current practice and uncodified law. The costs noted above in the Background section are the result of SB 136 of 1998.

Full Evaluation of All Mandates: If the cost of mandated benefits reaches 2.2% of Maryland's average wage, HCACC and Mercer estimate that conducting a full evaluation of all mandates would cost between $150,000 to $200,000. According to HCACC's 1998 report on mandated health insurance services, Maryland law currently has 30 mandated benefits and the cost of these benefits currently averages 1.9% of Maryland's average wage. HCACC does not anticipate reaching 2.2% of Maryland's average wage in fiscal 2000.

HCACC is specially funded through fees imposed on payors and providers. As a result of the increase in expenditures, HCACC would raise provider fees by an amount to exactly offset the increase in expenditures.

Information Source(s): Department of Health and Mental Hygiene (Health Care Access and Cost Commission), Department of Legislative Services

Fiscal Note History: First Reader - February 16, 1999

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