HB 638

Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 638 (Chairman, Economic Matters Committee)
(Departmental - Health and Mental Hygiene)
Economic Matters

Children and Families Health Care Program

This departmental bill repeals the requirement that the Department of Health and Mental Hygiene (DHMH) develop and implement a program to provide health insurance coverage to children through the private insurance market under the Children and Families Health Care Program. The bill also repeals the family contribution requirement for participants in the private insurance option program. The current law provisions will apply to families with income between 185% and 200% of the federal poverty level (FPL) beginning July 1, 1999.

The bill takes effect June 1, 1999.

Fiscal Summary

State Effect: None. The bill provides offsetting savings to increased expenditures.

Local Effect: None.

Small Business Effect: The Department of Health and Mental Hygiene has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Fiscal Analysis

State Effect: Chapter 110 of 1998 (SB 85) established the Children and Families Health Care Program pursuant to the federal Children's Health Insurance Program (Title XXI of the federal Social Security Act). The State's program establishes health insurance coverage for pregnant women and children up to 200% of FPL through enrollment in HealthChoice in the first year. Chapter 110 requires DHMH to establish a private insurance option for children between 185% and 200% of FPL by July 1, 1999 and requires those participants to make annual premium contributions of between 1% and 2% of annual family income.

Chapter 110 also established an advisory committee to study the feasibility, cost-effectiveness, and administrative costs of providing health insurance coverage to uninsured children and their families through the private insurance market. As a result of the study, DHMH recommends repealing the private insurance option and the premium requirement for the following reasons:

- The current federal requirement that employers contribute 60% of health insurance costs (although it might be adjusted downwards) is inconsistent with current market practices.

- State and federal benefit design requirements result in a richer benefit package than currently offered in the private health insurance market; and even though, actuarially, a private option plan could be priced to conform to the requirement that the cost be no more than the Medicaid option, it is uncertain if the private market would price the product at an acceptable level.

- The private option would apply to a very small target group that will fluctuate as family size and income changes, presenting administrative complexities and actuarial risks.

- There would be significant administrative costs for employers, the insurance industry, and the State.

- The premium requirement may discourage enrollment in the program and may create a selection bias in that individuals with high anticipated health care costs will more likely participate, increasing the per person cost of the program.

Repealing the private option and premium requirements would reduce expenditures for the Medicaid program by reducing administrative costs. Conversely, it would decrease

revenues because it eliminates the collection of premiums and increases expenditures because it encourages increased participation in the program. The department expects the effects to be offsetting; resulting in no net change to Medicaid expenditures.

The proposed fiscal 2000 budget includes $210,000 in special funds from the premiums collected.

Information Source(s): Department of Health and Mental Hygiene (Medical Care Policy Administration, Community and Public Health Administration), Maryland Insurance Administration, Department of Legislative Services

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Analysis by: Lina Walker

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510