

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE
 Revised

House Bill 3 (Delegate Busch. *et al.*)
 Economic Matters

Health Insurance for All Marylanders Act

This bill establishes the Maryland Health Insurance Assistance Program (MHIAP) and the Maryland Health Insurance Program (MHIP) to provide health insurance coverage to Maryland residents who earn less than 200% of the federal poverty level and individuals who are medically uninsurable. The bill also establishes a ten-member Maryland Health Insurance Governing Board and a Maryland Health Insurance Governing Board Fund, which will be funded from an administrative fee imposed on hospitals equal to 1% of annual gross revenue.

The bill also repeals the substantial, available, and affordable coverage (SAAC) plan that is offered in the nongroup market, effective October 1, 2001. The board may not enroll individuals in either program until October 1, 2001.

Fiscal Summary

State Effect: \$55.7 million special fund revenue increase for FY 2001. Future year revenue increases reflect inflation. Special fund expenditures for premium vouchers and other costs associated with MHIAP and MHIP are expected to closely match revenues.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
SF Revenues	\$55,720,000	\$59,063,200	\$62,607,000	\$66,363,400	\$70,345,200
SF Expend.†	367,600	444,500	463,800	484,000	505,300
SF Expend.*	55,352,400	58,618,700	62,143,200	65,879,400	69,839,900
Net Effect	\$0	\$0	\$0	\$0	\$0

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

†Reflects Maryland Insurance Administration administrative expenditures only.

*Reflects maximum annual expenditure allowed for MHIAP and MHIP.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: This bill establishes the Maryland Health Insurance Governing Board to oversee the provision of health insurance to low-income and medically uninsurable individuals. The board consists of ten members, including: (1) the Insurance Commissioner; (2) the Executive Director of the Maryland Health Care Commission; (3) the Secretary of the Department of Health and Mental Hygiene; (4) three individuals who are knowledgeable about the insurance industry, but who are not employees or consultants to a carrier; (5) one individual from a business that has fewer than 100 employees; (6) one individual representing organized labor; (7) the executive director of the Health Services Cost Review Commission; and (8) one consumer member. The bill also establishes board member terms and other administrative requirements relating to the board. The board must annually review the 1% assessment on hospitals to ensure that the fund does not significantly increase Medicare costs or result in the loss of Maryland's Medicare waiver. In addition, the board must establish a uniform set of benefits, including cost-sharing arrangements, to be offered under the basic individual health benefit plan. The board must also submit an annual report to the Governor and the General Assembly.

MHIAP is available to Maryland residents who: (1) do not qualify for Medicare; (2) earn equal to or less than 200% of the federal poverty level; (3) have been without health insurance coverage, except Medicaid, for at least six months; (4) have investments and savings less than a limit set by the board; and (5) meet any other requirements set by the board. Individuals who qualify must enroll in any group health plan, including an employer-sponsored plan, that is available to the individual. If an individual is not eligible for coverage under a group health plan, the board will assist the individual in enrolling in an individual plan. The board will issue "assistance vouchers" to an enrollee in an amount not to exceed the enrollee's actual premium costs. The vouchers may not be used toward copayments or deductibles.

If sufficient funding is not available to enroll all eligible individuals in MHIAP, additional individuals will be placed on an enrollment waiting list. The board will establish voucher subsidy levels on a sliding scale, based on: (1) household income; (2) number of dependents; and (3) any other factor that the board determines is relevant.

MHIP is available to Maryland residents who have preexisting health conditions. An individual is not eligible for coverage under this plan if: (1) the individual is eligible for Medicare; (2) the individual has or can obtain health insurance coverage that is substantially similar to, or more comprehensive than, a plan policy; (3) the individual has terminated plan coverage within the last 12 months; (4) the individual is an inmate or patient in a public institution; or (5) the board has paid out \$1 million in benefits on behalf of the individual. It is unlawful for a carrier to refer an employee to apply for the plan for the purpose of separating that employee from the employer's group health insurance coverage. The plan has a six-month initial waiting period before covering an individual's preexisting conditions.

Current Law: There are several federal and State laws that facilitate health insurance coverage for low-income and medically uninsurable individuals.

Medicaid currently covers: (1) pregnant women and infants with incomes below 185% of the federal poverty level; (2) children aged one to five with incomes below 133% of the poverty level; (3) children over the age of six born after September 30, 1983, with incomes below 100% of the poverty level; (4) adults with dependent children if they experience extraordinary medical expenses or their family income falls below 38% of the federal poverty level; (5) certain low-income Medicare recipients; (6) indigent disabled and elderly adults who are not receiving Supplemental Security Income (SSI); and (7) recipients of Temporary Cash Assistance or federal SSI.

The Children's Health Program (CHIP) currently covers children under the age of 19 if they have a family income that is below 200% of the federal poverty level.

The federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) specifically limits preexisting condition clauses in employer health insurance plans to a maximum of 12 months. In addition, an enrollee's prior health care coverage can be used as credit toward satisfying the preexisting condition period as long as there was no break in coverage. Preexisting condition exclusions may not apply to pregnant women, newborns, or adopted children.

Medicare insures those 65 and over, or who have end-stage renal disease, regardless of income level.

State Revenues: Special fund revenues for the Maryland Health Insurance Governing Board Fund would increase by \$55,720,000 as a result of the 1% administrative fee imposed on hospitals. Revenues will be used to issue "assistance vouchers" to low-income participants in MHIAP to help pay premiums under their employer-sponsored health insurance plans. Revenues will also be used to fund MHIP which provides health insurance coverage for the

medically-uninsurable.

Future year revenues reflect 6% health care inflation. In fiscal 1999, all Maryland hospitals had \$5,572,000,000 in gross revenues. The board fund imposes a 1% surcharge on these revenues to fund MHIAP and MHIP.

State Expenditures: Maryland Insurance Administration (MIA) special fund expenditures could increase by an estimated \$367,609 for fiscal 2001, which accounts for a 90-day start-up delay. This estimate reflects the cost of eight positions to administer the daily operations of the MHIAP and the MHIP. Staff will determine eligibility and enrollment status, distribute premium vouchers, and contract out for a third-party administrator health insurance carrier to manage the MHIP. These positions include one MIA executive II, one MIA executive I, three MIA technician IIIs, and three MIA technician IIs. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

Salaries and Fringe Benefits	\$328,209
Operating Expenses	<u>39,400</u>
Total FY 2001 Expenditures	\$367,609

Future year expenditures reflect (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Special fund expenditures for the MHIAP and MHIP programs are expected to closely match revenues. The elimination of SAAC will eliminate high risk pool coverage for approximately 5,000 individuals. It is assumed all SAAC individuals would enroll in MHIP. It is also assumed that 5,000 individuals would enroll in MHIAP. At this time, there are insufficient data to approximate how much premium vouchers will cost for individuals enrolled in MHIAP since these individuals will be covered by a variety of group health or employer-sponsored plans and premium costs would vary, or to approximate the cost of hiring a third-party administrator carrier to provide coverage for MHIP. Assuming 10,000 individuals are enrolled in the plans, the average cost per enrollee would be \$5,500 annually. This amount may not be sufficient to cover those enrolled in the high-risk pool MHIP.

Special fund expenditures cannot exceed special fund revenues collected from the 1% surcharge on hospital revenues. To contain costs under the MHIAP plan, the board must exclude or limit benefits or adjust the cost-sharing arrangements of the plan if the average rate for this plan exceeds 10% of Maryland's average annual wage. To contain costs under the MHIP plan, the board must establish premium rates, based on the standard risk rate that is the average rate charged by insurers offering coverages comparable to that of the plan. The

board may adopt separate premium rate schedules based on age and geographical location of the enrollee. The premium rates cannot be more than 110% of the average standard risk rate.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Human Resources, Department of Health and Mental Hygiene (Maryland Health Care Commission, CPHA, Health Services Cost Review Commission, Medicaid), Maryland Insurance Administration, Department of Legislative Services

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Analysis by: Susan D. John

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