

Department of Legislative Services  
Maryland General Assembly  
2000 Session

FISCAL NOTE  
Revised

Senate Bill 863 (Senator Miller. *et al.*)  
(Administration)

Finance

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**Maryland Health Programs Expansion Act of 2000**

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This bill expands eligibility for Medicaid to pregnant women whose family income is at or below 250% of the federal poverty level (FPL). In addition, the bill expands coverage by the Children's Health Program (CHIP) to include a child whose family income is above 200% but at or below 300% of the FPL.

The bill requires the Department of Health and Mental Hygiene (DHMH) to establish within CHIP a private option plan for qualified children and their families by implementing a cost-sharing arrangement among the child's parent, the parent's employer, and the State.

The bill also repeals current law that requires a CHIP enrollee, whose family income is above 185% but at or less than 200% of the federal poverty level, to pay a family contribution premium for CHIP coverage.

The bill's provision repealing the family contribution requirement takes effect July 1, 2000. The bill's provision allowing CHIP to disapprove an individual's application for coverage within six months takes effect July 1, 2003. The bill's other provisions take effect July 1, 2001.

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**Fiscal Summary**

**State Effect:** Medicaid expenditures for administrative costs will increase in FY 2001 by an estimated \$1.29 million (\$845,000 federal funds, \$455,000 general funds), of which \$700,000 (\$595,000 federal funds, \$105,000 general funds) is included in the FY 2001 budget. Special fund revenues and expenditures will each decrease by \$440,000 in FY 2001 as a result of the family contribution requirement for CHIP enrollees whose family incomes are above 185% FPL and at or below 200% FPL. General fund expenditures will increase by

\$440,000 to cover premium payments made to carriers. Future year expenditures reflect: (1) the implementation of CHIP’s private option plan and associated administrative costs; (2) the Medicaid expansion to cover pregnant women with incomes at or below 250% FPL; (3) the implementation of the family contribution requirements for enrollees with incomes above 200% but at or below 300% of the FPL; (4) premium payments made to carriers; and (5) 6% health care inflation.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
SF Revenues	(\$0.44)	\$4.66	\$4.81	\$4.87	\$5.04
SF Expenditures	(0.44)	4.66	4.81	4.87	5.04
GF Expenditures	0.89	11.03	11.68	12.43	13.18
FF Expenditures*	0.85	17.58	19.19	20.31	21.53
Net Effect	(\$1.74)	(\$28.61)	(\$30.87)	(\$32.73)	(\$34.71)

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

*\* Federal fund expenditures are reimbursable by the federal government.*

*Numbers may not total due to rounding.*

**Local Effect:** None.

**Small Business Effect:** Potential minimal. Small businesses may choose to participate in the CHIP private option plan on a voluntary basis. There may be additional administrative costs associated with participation.

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## Analysis

**Bill Summary:** This bill expands Medicaid coverage for pregnant women to include individuals whose family income level is at or below 250% of the FPL.

The bill repeals current law that requires CHIP enrollees whose family incomes are above 185% but at or less than 200% of the FPL to pay a portion of their medical premium.

The bill also establishes a private option plan that allows children with family incomes above 200% and at or below 300% of the federal poverty level to receive subsidized health insurance either through an employer’s health benefit plan or through a HealthChoice managed care organization. To be eligible for employer-provided coverage: (1) a child’s parent or guardian must be enrolled in an employer-sponsored health benefit plan; (2) the employer elects to participate in the private option plan; (3) the employer contributes at least 50% of the annual premiums; (4) the employer-sponsored plan includes a benefit package that is equivalent to or better than the State’s Comprehensive Standard Health Benefit Plan (CSHBP) currently offered to small businesses; and (5) the employer’s plan does not impose

cost-sharing requirements (other than the premium) on eligible individuals.

A child who is ineligible for coverage under an employer-provided plan will be enrolled in the individual option, which will be a HealthChoice “look alike” plan, using the same managed care organizations currently providing health care under HealthChoice.

The bill also specifies that the required family contribution amounts apply on a per-family basis, regardless of the number of eligible individuals each family has enrolled in the private option plan.

The bill prohibits an employer-sponsored plan that provides CHIP coverage from imposing any type of preexisting condition copayments or other provisions on CHIP enrollees. In addition, a carrier must allow an eligible individual to enroll for CHIP coverage if the individual requests enrollment within 30 days after the individual is determined to be eligible for coverage.

If an individual whose family income is at or less than 200% FPL has voluntarily terminated employer-sponsored health benefits within six months of applying for CHIP, CHIP may disapprove the application. If an individual whose family income is above 200% but at or below 300% has voluntarily terminated employer-sponsored health benefits within 12 months of applying for CHIP, CHIP may disapprove the application. Beginning July 1, 2003, CHIP may disapprove an individual’s application for coverage if the individual voluntarily terminated coverage under an employer-sponsored plan within six months of applying, regardless of the individual’s income level.

**Current Law:** Medicaid covers pregnant women whose family income is at or below 200% of the FPL. CHIP covers children with family incomes at or below 200% of the FPL. CHIP enrollees with family incomes above 185% but at or less than 200% must begin paying a family contribution toward their medical premiums, beginning July 1, 2000. The family contribution is from 1% to 2% of the family’s income.

**Background:** 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 provides health insurance coverage for children with family incomes up to 200% of the federal poverty level through enrollment in HealthChoice, the Medicaid managed care program. Implemented in July 1998, CHIP currently covers 63,000 children.

Chapter 381 of 1999 (Senate Bill 738) required DHMH to study how to expand eligibility for CHIP by using private market insurance (private option) coverage. DHMH formed a

Technical Advisory Committee (TAC) to study the issue. The TAC committee recommended targeting the private option expansion to children with family incomes between 200% and 235% of the federal poverty level.

**State Fiscal Effect:**

**Medicaid for Pregnant Women:**

Medicaid expenditures to expand coverage for pregnant women whose income is at or below 250% of the FPL will increase by an estimated \$3.75 million (50% general funds and 50% federal funds) in fiscal 2002. Future year expenditures reflect 6% health care inflation. This estimate is based upon the following facts and assumptions:

- 625 pregnant women will participate with 200% - 250% FPL income levels; and
- the average cost per woman is assumed to be \$6,000.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Expenditures	0.00	\$1.88	\$1.99	\$2.11	\$2.23
FF Expenditures*	0.00	\$1.88	\$1.99	\$2.11	\$2.23
Net Effect	0.00	\$3.75	\$3.98	\$4.22	\$4.46

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

*\* Federal fund expenditures are reimbursable by the federal government.*

*Numbers may not total due to rounding.*

**CHIP:**

*DHMH Administrative Costs in Fiscal 2001:*

CHIP administrative expenditures could increase by an estimated \$1.28 million (65% federal funds, 35% general funds) for fiscal 2001, which accounts for a six-month start-up delay. This estimate reflects the cost of 31 positions to administer a new private option unit within the CHIP program. These positions include one medical care program manager, one medical care program supervisor, and 29 other administrative and support staff positions. 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	\$489,523
Contract for Computer Services	500,000

Operating Expenses	<u>287,631</u>
<b>Total FY 2001 Expenditures</b>	<b>\$1,277,154</b>

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.

*Family Contribution Elimination in Fiscal 2001:*

Special fund revenues and expenditures would each decrease by \$437,500 beginning in fiscal 2001 as a result of the elimination of the family contribution requirement for enrollees with incomes between 185% and 200% FPL. Current law requires DHMH to begin charging these enrollees premiums on July 1, 2000. Special fund revenues from premiums are estimated at \$437,500, which is included in the fiscal 2001 budget. Collected premiums would have been paid to Medicaid managed care organizations for premium costs. Medicaid general fund expenditures will increase by the same amount to cover current premium costs. Future year increases reflect inflation.

*Private Option Plan Implementation in Fiscal 2002:*

In total, Medicaid expenditures could increase by an estimated \$24.88 million in fiscal 2002 (65% federal funds, 35% general funds) for the implementation of the private option plan and associated administrative costs. Future year expenditures reflect 6% health care inflation.

**FY 2002 State Costs for Private Option Plan**

Employer-Sponsored Plan	\$ 3,951,960
Individual HealthChoice Look-Alike Plan	19,578,440
Administrative Costs	<u>1,353,832</u>
<b>Total FY 2002 Expenditures</b>	<b>\$24,884,232</b>

These estimates are based on the assumption that the State will receive the 65% federal fund match, as currently received in the CHIP program. The federal Health Care Financing Administration (HCFA) requires, under the private plan option, that employers contribute at least 60% of an individual's premium. The State is seeking a waiver from HCFA to allow employers to contribute only 50% of the premium as required by this bill. If the State is not granted this waiver, federal funds will only match 50% of the cost of the program. Failure to receive the waiver will mostly likely result in the State's eliminating the employer-sponsored health plan option and enrolling all participants in the HealthChoice look-alike individual option so that the State can continue to receive the 65% federal fund match.

*Employer-Sponsored Insurance Plan:*

Total State expenditures for this option could be \$3.95 million (65% federal funds, 35% general funds) for fiscal 2002.

DHMH estimates that approximately 35,000 uninsured children with incomes between 200% and 300% of the federal poverty level will be eligible to enroll in the private option plan. However, only 19,600 children and their eligible parents or guardians are expected to enroll in this plan because the child's family will be required to pay a monthly premium for insurance, which discourages enrollment. For a family of two with income between 200% and 250% of the federal poverty level, the family must pay approximately \$37 per month. Families with income between 251% and 300% must pay approximately \$46 per month. These estimates are based on a family of two that includes the child and the child's parent, who must be enrolled in an employer-sponsored health plan. The State will pay the portion of the premium not collected from the employer and employee.

It is assumed that 5,880 (or 30% of the estimated 19,600 participating children and eligible adults) will enroll in employer-sponsored plans. It is also assumed that the State's average annual cost for an enrollee in the employer-sponsored plan is \$672 (an average of the high and low costs given by the TAC committee). Total State expenditures for this option are \$3,951,960 for fiscal 2002.

*HealthChoice Look-Alike Option:*

Total State expenditures for this option could be \$19.57 million (65% federal funds, 35% general funds) for fiscal 2002.

Children who do not have access to employer-sponsored plans will be enrolled in the HealthChoice look alike option. Enrolled children will receive care through Medicaid managed care organizations under HealthChoice. It is assumed that 13,720 (or 70% of the estimated 19,600 participating children and eligible adults) will enroll in this option. It is also assumed that the State's average annual cost for an enrollee in the HealthChoice look-alike plan is \$1,427 (\$1,680 fiscal 2001 budgeted cost per CHIP enrollee less \$253 annual family contribution per child). Total State expenditures for this option are \$19,578,440 for fiscal 2002.

*Individual Premium Costs:*

Enrolled families must pay either \$38 or \$47 monthly premiums, depending on their income. It is assumed that half of the enrollees will have family incomes between 200% and 250% and that the other half will have family incomes between 251% and 300%. Total individual premium costs for fiscal 2002 are approximately \$5.1 million (\$506 average annual family contribution). These funds will be collected by the State and paid to insurance carriers.

**Additional Comments:**

<b>2000 Federal Poverty Level Income Guidelines*</b>			
<b>Size of Family</b>	<b>100% FPL</b>	<b>200% FPL</b>	<b>300% FPL</b>
1	\$8,350	\$16,700	\$25,050
2	\$11,250	\$22,500	\$33,750
3	\$14,150	\$28,300	\$42,450
4	\$17,050	\$34,100	\$51,150

\*Federal Register, Vol. 65, No. 31, February 15, 2000, pp. 7555-7557.

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**Additional Information**

**Prior Introductions:** Chapter 381 of 1999 repealed the required implementation of a private market option by July 1, 1999, and instead required DHMH to study how to best implement this option by July 1, 2000. Chapter 110 of 1998 established CHIP and had the original mandate to implement the private market option by July 1, 1999.

**Cross File:** HB 2 (Delegate Taylor, *et al.* - Economic Matters and Environmental Matters) - has been amended to be identical to SB 863.

**Information Source(s):** “Maryland Children’s Health Program - 1999 Private Option Study,” Technical Advisory Committee, Maryland Insurance Administration, Department of Health and Mental Hygiene (Health Care Commission, Medicaid), U.S. Health Care Financing Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

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