

**Department of Legislative Services**  
Maryland General Assembly  
2001 Session

**FISCAL NOTE**  
**Revised**

Senate Bill 568 (Senators Hollinger and Bromwell)  
Finance

Economic Matters

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**Maryland Health Care Foundation - Health Insurance Demonstration Project  
for Uninsured, Low-Income, Working Employees**

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This bill authorizes the Maryland Health Care Foundation, through a demonstration project, to contract with an insurance carrier to provide employer-based health insurance to uninsured, low-income, working adults.

The bill takes effect July 1, 2001 and sunsets December 31, 2004.

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**Fiscal Summary**

**State Effect:** The Governor's proposed FY 2002 budget allowance contains \$100,000 in special funds (Cigarette Restitution Fund) for the foundation's demonstration project. This is expected to be a one-time expenditure. The Maryland Insurance Administration's annual review of the demonstration projects' records for fiscal soundness could be handled with existing budgeted resources. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** Potential minimal. Small businesses that employ individuals enrolled in the demonstration project health insurance program are permitted to contribute toward the enrollee's health insurance premiums. To the extent that small businesses participate, expenditures could increase.

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## **Analysis**

**Bill Summary:** The bill authorizes a three-year demonstration project beginning on or before January 1, 2002. The foundation may contract through competitive procurement procedures to provide employer-based health insurance coverage to any uninsured employee who: (1) has a gross family income of not more than 300% of the federal poverty level (FPL); and (2) is working for an employer that has 51 or more employees, offers health insurance coverage, and the majority of whose employees did not purchase the offered health insurance in the previous 12 months. The insurance coverage must include outpatient preventive services, outpatient primary care services, and specialty services. In addition, the demonstration project must offer a voluntary hospital component to ensure the provision of acute care services to enrollees. The total number of enrollees in the demonstration project cannot exceed 30,000 individuals.

The Maryland Insurance Administration (MIA) must provide to the foundation annually: (1) a copy of the contracting carrier's risk-based capital levels and, if applicable, a copy of any final financial examination report on the carrier prepared by MIA in the previous 12 months.

The foundation must provide an annual report on the scope and status of the demonstration project to the appropriate committees of the General Assembly by September 1. The annual report must include an evaluation of the demonstration project's impact on hospital inpatient costs and uncompensated care.

**Current Law:** None applicable.

**Background:** The foundation was established in 1997 (Chapter 180 of 1997) as a charitable, not-for-profit organization to support efforts to increase and improve access to quality health care for the uninsured, underinsured, and medically underserved residents of Maryland. The foundation awards grants to help fund programs that expand access to health care for Marylanders without health insurance. It plans to distribute a minimum of \$2 million in grants each year for these programs. The foundation also promotes public awareness of the need to provide timely, efficient care for uninsured Marylanders, and advocates statutory and regulatory changes to benefit them.

In fiscal 2001 the foundation received \$1.5 million from the Cigarette Restitution Fund and the Governor's proposed fiscal 2002 budget allowance provides the foundation with an additional \$1.5 million from the Cigarette Restitution Fund. The foundation does not receive any general funds.

**State Fiscal Effect:** The foundation will use \$100,000 of its \$1.5 million fiscal 2002 budget allowance from the Cigarette Restitution Fund to help fund the demonstration project. Total foundation costs for the demonstration project are estimated to be \$400,000 in fiscal 2002 to cover 30,000 individuals. The foundation will obtain other funding, such as grants, to cover the remaining project costs. These funds will be used to develop and market an affordable preventive and primary health benefits package for low-income workers as well as to provide incentives for carrier, employee, and employer participation. Enrolled employees will pay premiums to receive coverage. Revenues would not be affected.

**Additional Comments:**

<b>2001 Federal Poverty Level (FPL) Guidelines*</b>	
<b>Number of Family Members</b>	<b>Annual Income (300% FPL)</b>
1	\$25,770
2	\$34,830
3	\$43,890
4	\$52,950
5	\$62,010

*\*Federal Register, Vol. 66, No. 33, February 16, 2001, pp. 10695-10697.*

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 995 (Delegate McHale) – Economic Matters.

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

**Fiscal Note History:** First Reader – February 20, 2001  
jm/jr Revised – Senate Third Reader – March 30, 2001

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