

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 369

Chairman APP (Dept))

(Departmental – University System of Maryland, Morgan State University, St. Mary’s College, and Baltimore City Community College)

Appropriations

Budget and Taxation

Retirement - Optional Retirement Program - Health Insurance Benefits for Retirees and Surviving Spouses and Children

This departmental bill allows the surviving spouse of a State employee who dies while employed by the State to participate in the State Employee Health Benefits Plan (without any State subsidy) if the surviving spouse is the sole primary designated beneficiary and is receiving a periodic distribution under the Optional Retirement Program (ORP).

The bill also allows an individual to participate in the State plan (without any State subsidy) if the individual: (1) ended service with a State institution of higher education with at least ten years of service and was at least age 57; (2) ended service with a State institution of higher education with at least 16 years of service; or (3) retired directly from and had at least five years of service with a State institution of higher education with a periodic distribution of benefits from the ORP. Also, the surviving spouse or dependent child of a deceased individual who was eligible to enroll may enroll in the State plan as long as the spouse or child is receiving a periodic distribution of benefits under the ORP.

Fiscal Summary

State Effect: Administrative expenditures may increase by a minimal amount if more surviving beneficiaries of ORP members opt to participate in the State plan at the participant’s own cost.

Local Effect: None.

Small Business Effect: The University System of Maryland has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: There is no provision under current law for beneficiaries of State employees who die while employed, or beneficiaries of retirees, to participate in the health benefit options at their own cost.

Background: Retirees who participate in the State's defined benefit pension system are eligible for the full State subsidy of health insurance for themselves and their spouses if they retire with 16 or more years of service. Retirees of the ORP are eligible for the State subsidy of health insurance for themselves after 16 years of service, but are not eligible for the spousal subsidy unless they have 25 years of service.

State Expenditures: The bill allows additional spouses and other beneficiaries to participate in the State plan at their own cost. The Department of Budget and Management advises that it would implement this bill by applying COBRA billing procedures to these participants and that there would be an increase in administrative costs associated with the expansion of such coverage. Given the expense of such unsubsidized coverage, it is unlikely that large numbers of additional beneficiaries would participate; hence, the additional administrative costs are likely to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, St. Mary's College, University System of Maryland, Department of Legislative Services

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