

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**  
**Revised**

House Bill 181 (Southern Maryland Delegation, Western Maryland Delegation,  
 and Eastern Shore Delegation)

Appropriations

Finance

**State Employee and Retiree Health and Welfare Benefits Program - Eligibility  
 for Enrollment and Participation**

This bill permits employees of the Tri-County Council for Southern Maryland, the Tri-County Council for Western Maryland, the Tri-County Council for the Lower Eastern Shore of Maryland, and the Mid-Shore Regional Council to enroll and participate in the State Employee Health Benefits Plan. Each council must pay the State the full costs associated with its employees. In addition, each council must determine the extent to which it will subsidize its employees' health benefits.

The bill is effective July 1, 2002.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase by \$14,600 in FY 2003. Reimbursable fund revenues would increase by \$3,200 in FY 2003. Future year expenditures reflect inflation and future year revenues assume no change in participation levels and inflation.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	\$3,200	\$3,600	\$4,000	\$4,500	\$5,000
GF Expenditure	14,600	19,800	20,800	21,900	23,000
Net Effect	(\$11,400)	(\$16,200)	(\$16,800)	(\$17,400)	(\$18,000)

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

**Local Effect:** Expenditures for the regional councils would increase by \$39,400 in FY 2003. Future year expenditures assume no change in participation levels and 11.6% health care inflation. Revenues would not be affected.

**Small Business Effect:** None.

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## **Analysis**

**Current Law:** Individuals eligible to enroll in the State Employee Health Benefits Plan include: (1) State employees; (2) elected officials; (3) registers of wills and their employees; (4) clerks of the court and their employees; (5) board or commission members; (6) employees of political subdivisions that have chosen to participate in the State plan; (7) employees of agencies, commissions, or organizations permitted by law; (8) State retirees; and (9) enrollees' eligible dependents. Employees of non-State organizations and entities that participate in the State plan do not receive State subsidies and must pay any administrative costs associated with enrollment.

**Background:** The Tri-County Council for Southern Maryland was created (Chapter 708 of 1976) as a regional planning and development agency for the tri-county area, consisting of Calvert, Charles, and St. Mary's counties. The council receives funding from State, federal, and county grants. The Tri-County Council for Western Maryland is a regional, private, nonprofit, planning and development organization. It serves Allegany, Garrett, and Washington counties. The Tri-County Council for the Lower Eastern Shore was created by Chapter 527 of 2001. The council facilitates regional planning and development in Somerset, Wicomico, and Worcester counties. The Mid-Shore Regional Council was created by Chapter 528 of 2001. The council facilitates regional planning and development in Caroline, Dorchester, and Talbot counties. Both councils, which started operations in January 2002, receive funding from the State and the respective county governing bodies.

**State Revenues:** Employee Health Benefits Plan reimbursable fund revenue increase of \$3,220 in fiscal 2003 as a result of the 2% administrative fee paid by the four councils for participation in the State plan assuming all of the council's employees elect to participate in the State Employee Health Benefits Plan. Future revenue increases assume no change in participation levels and 11.6% health care inflation.

**State Expenditures:** General fund expenditures for the State Employee Health Benefits Plan would increase by an estimated \$14,611 in fiscal 2003, which reflects a 90-day start-up delay. This estimate reflects the cost of hiring one part-time enrollment reviewer to manage the additional health benefits accounts resulting from employees of the regional councils who enroll in the State plan. The need for the additional part-time position assumes that all employees of the regional councils will participate in the State plan. It includes a salary, fringe benefits, and ongoing operating expenses. Future year

expenditures reflect: (1) a full salary with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

**Local Expenditures:** If the regional councils chose to participate in the State plan, local expenditures for health insurance premiums could increase by an estimated \$39,426, beginning in fiscal 2003.

Under current law, the regional councils must contract directly with health insurance carriers to provide medical coverage for their employees. The councils' health insurance expenditures for fiscal 2003 are projected to be \$122,402, accounting for the subsidy they provide to their employees and assuming an average of two people covered per employee. If all councils participated in the State plan, the councils' premiums would increase to \$161,828 in fiscal 2003. This increase is primarily due to expected participation in the State prescription drug program, which offers very low copayments and no deductibles on drugs. **Exhibit 1** shows the projected health benefits cost of the State plan and the current plans used by the regional councils.

**Exhibit 1**  
**Projected Health Benefits Costs for the Regional Councils**

<b><u>Fiscal Year</u></b>	<b><u>Participation in State Plan</u></b>	<b><u>Current Plans</u></b>	<b><u>Additional Costs</u></b>
2003	\$161,800	\$122,400	\$39,400
2004	\$180,600	\$142,000	\$38,600
2005	\$201,500	\$164,700	\$36,700
2006	\$224,900	\$191,000	\$33,900
2007	\$251,000	\$221,600	\$29,400

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**Additional Information**

**Prior Introductions:** A similar bill was introduced at the 2001 session as HB 139. The bill received an unfavorable report by the House Appropriations Committee.

**Cross File:** None.

**Information Source(s):** Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

**Fiscal Note History:** First Reader - January 29, 2002  
mld/jr Revised - Clarification - June 11, 2002

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