

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 84

(Chairman, Economic Matters Committee)
(Departmental - Health and Mental Hygiene)

Economic Matters

Finance

**Maryland Children's Health Program - Employer-Sponsored Health Benefit
Plans - Employer Contribution**

This departmental bill changes the employer premium contribution requirement from 50% to 30% in the Maryland Children's Health Program (MCHP) private option plan.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: Potential minimal expenditure reduction for the Medicaid program. No effect on revenues.

Local Effect: None.

Small Business Effect: The Department of Health and Mental Hygiene (DHMH) 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

Bill Summary: This bill changes the requirement that an employer offering health insurance must contribute at least 50% of the annual premiums for an MCHP private option plan enrollee to at least 30% of the enrollee's annual premiums. In addition, the bill provides the State's cost for coverage of an MCHP private option plan enrollee

covered by employer health insurance cannot be greater than the cost of coverage if the enrollee were covered under a HealthChoice managed care organization (MCO). If the State's cost is greater for an MCHP private option plan enrollee, DHMH must insure the enrollee through an MCO instead.

Current Law:

State Law: The MCHP private option plan 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 (MCO). 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.

Federal Law: On January 8, 2001, the federal Centers for Medicare and Medicaid Services (CMS) issued its revised regulations on the State Children's Health Insurance Program (SCHIP). These regulations removed the minimum premium contribution requirement for employers participating in paying for family coverage under the MCHP private option plan. Previously, the employer was required to make a substantial contribution to the cost of family coverage, equal to 60% of the total cost of family coverage. States proposing a minimum employer contribution rate below this standard had to provide the CMS with data that demonstrated a lower average employer contribution in their state and support a state's contention that the lower contribution level would be equally effective in ensuring maintenance of statewide levels of employer contribution.

CMS no longer requires states to implement a minimum employer contribution of 60%. The cost-effectiveness requirement of the SCHIP program reduces the need for a uniform minimum employer contribution level, because it is likely that a substantial employer contribution would be necessary in order to meet the test of cost effectiveness. However, the regulations require that states identify a specific minimum employer contribution level to ensure that federal SCHIP funds are used to supplement the cost of employer-sponsored insurance rather than supplant the employers' share of the cost of coverage.

Background: Chapter 110 of 1998 established the Children and Families Health Care Program, pursuant to the federal Children's Health Insurance Program (Title XXI). The

State's program provides health insurance coverage for children whose family incomes are at or below 200% of the federal poverty level (FPL).

Chapter 381 of 1999 required DHMH to study how to expand eligibility for the Maryland Children's Health Program (MCHP) by using private insurance market (private option) coverage. A technical advisory committee recommended targeting the private option toward children whose family incomes were above 200% but at or below 235% of FPL.

Chapter 16 of 2000, the Maryland Health Programs Expansion Act of 2000, established a private option plan for MCHP. The plan allows children with family incomes above 200% but at or below 300% of the FPL guidelines to receive subsidized health insurance either through an employer's health benefit plan or through participation in Medicaid's HealthChoice program. This program was implemented July 1, 2001.

State Fiscal Effect: Medicaid expenditures (65% federal funds, 35% general funds) could decrease by a minimal amount because DHMH would be permitted to enroll eligible individuals in MCOs rather than the employer's health insurance option when it is cost effective to the State.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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