

**Department of Legislative Services**

Maryland General Assembly

2002 Session

**FISCAL NOTE**

Senate Bill 134

(Senator Ruben)

Finance

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**State Insurance Trust Fund - Participation of State-Aided Nonprofit Health Entities**

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This bill permits a State-aided health entity to participate in the State Insurance Program. A State-aided health entity is defined as a nonprofit community-based organization that: (1) is licensed by the Developmental Disabilities Administration (DDA) to provide habilitation, rehabilitation, or related community support services to individuals with developmental disabilities or mental disorders; and (2) receives funding from DDA in an amount equal to or greater than 25% of the organization's total annual revenue.

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**Fiscal Summary**

**State Effect:** Potentially significant special fund expenditure increase for the State Insurance Program, beginning in FY 2003. Potential special fund revenue increase from any premiums collected from participating State-aided health entities, beginning in FY 2003.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** The State Insurance Program provides and administers purchased insurance and self-insurance for the State to protect against loss, damage, and liability that the State may incur. There is a State Insurance Trust Fund used to cover State-incurred losses, including the loss of or damage to State vehicles, State vessels, State real

property, or losses resulting from a settlement or judgment against the State. The fund consists of general and special fund appropriations in the State budget and premiums assessed against units of State government. The Treasurer administers the program and its fund.

**Background:** There are currently 94 providers that would qualify as State-aided health entities and be permitted to participate in the State Insurance Program.

The fiscal 2003 proposed budget anticipates the transfer of \$11 million from the State Insurance Trust Fund to the general fund in fiscal 2002 contingent upon enactment of legislation. This transfer will reduce the projected 2003 ending fund balance from \$21.3 million to \$10.3 million. The most recent actuarial study of the fund recommended a fund balance of \$21 million. This transfer, if carried out, will result in State agencies being assessed greater amounts in future budgets for insurance coverage in order to build the fund's balance back up to the level recommended by the actuary.

**State Fiscal Effect:** Special fund expenditures for the State Insurance Trust Fund could increase by a significant amount, beginning in fiscal 2003, depending on the nature and frequency of any claims made by participating State-aided health entities. The Treasurer is authorized to set and charge premiums for participation in the State Insurance Program, but there are not enough data to reliably estimate: (1) the number of eligible State-aided health entities that may participate in the program; (2) the premium rate the Treasurer would assess against participating entities; or (3) the number of claims, if any, made by participating entities.

Special fund revenues could increase from any premiums collected from participating State-aided health entities, beginning in fiscal 2003.

Future year estimates depend on the number of State-aided entities that choose to participate and the extent of any claims made against the fund.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene (Developmental Disabilities Administration, Maryland Health Care Commission, Medicaid, Family Health Administration), Maryland Insurance Administration, Office of the Attorney General, Office of the Treasurer, Department of Legislative Services

**Fiscal Note History:** First Reader - January 28, 2002  
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