

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 1100 (Delegate Pendergrass, *et al.*)
 Health and Government Operations

Finance

Health Insurance Coverage Availability Act of 2003

This emergency bill makes several changes to the Maryland Health Insurance Plan (MHIP) and requires health insurance carriers who offer Medigap policies to offer them to certain eligible individuals.

Fiscal Summary

State Effect: MHIP special fund expenditures increase \$2.2 million in FY 2003 to provide health insurance coverage for new enrollees. Future year expenditures reflect annualization, inflation, and assume decreased enrollment as enrollees become eligible for Medicare. MHIP special fund revenues increase \$1.2 million in FY 2003 from new premiums.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	\$1.2	\$14.3	\$14.5	\$14.7	\$14.9
SF Expenditure	2.2	26.9	27.3	27.7	28.0
Net Effect	(\$1.0)	(\$12.6)	(\$12.8)	(\$13.0)	(\$13.1)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires a carrier that issues Medigap policies in the State to issue a Medigap policy to an individual eligible for Medicare if: (1) the individual is enrolled under an employee welfare benefit plan that provides health benefits; (2) the employee welfare benefit plan in which the individual is enrolled terminates; (3) solely

because of eligibility for Medicare, the individual is not eligible for credit for health insurance costs under the federal Internal Revenue Code (IRC) and enrollment in MHIP; and (4) the individual applies for the Medigap policy no later than 63 days after the employee welfare benefit plan terminates. The Maryland Insurance Administration (MIA) must issue notice of the bill's requirements to each affected carrier in the State.

The bill expands the definition of "medically uninsurable individual" for the purposes of MHIP eligibility to include a person who is eligible for the tax credit for health insurance costs under the federal IRC.

The bill increases the membership of the MHIP board from five to seven. It specifies that one member must be a representative of carriers operating in the State and one must be an insurance producer selling insurance in the State.

By October 1, 2003, MIA must notify the federal Centers for Medicare and Medicaid Services (CMS) that the State has established MHIP and request that MHIP be approved as an acceptable "alternative mechanism" under the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA).

For those enrollees in MHIP whose eligibility is subject to requirements of the federal tax credit, the MHIP board must report by December 1, 2003 and annually thereafter to the Governor and the General Assembly on the number of members enrolled in the plan and the costs to the plan associated with enrollment.

Current Law: MHIP is an independent unit of MIA whose purpose is to decrease uncompensated care costs by providing access to affordable, comprehensive health benefits for medically-uninsurable residents by July 1, 2003. It has a five-member board. The board must appoint an executive director to act as MHIP's chief administrative officer and must adopt a plan of operation for MHIP and submit the plan to the Insurance Commissioner for approval. The board must adopt regulations necessary to operate and administer the plan. Board members are not paid, but may receive reimbursement for expenses.

HIPAA: HIPAA was enacted by the federal government to improve access, portability, and renewal of health insurance policies. Under HIPAA, a state may choose to implement an "alternative mechanism" to ensure that eligible individuals have access to the individual health insurance market or comparable coverage. States that choose this option must submit timely notice to CMS with sufficient documentation.

The Trade Adjustment Assistance Reform Act of 2002: This Act amends the Trade Act of 1974 to expand the eligibility for trade adjustment assistance (TAA) to additional groups of workers and enhances the assistance available under the program. Title II of the Act amends the Internal Revenue Code of 1986 and the Workforce Investment Act of 1998 (WIA) to establish new mechanisms by which certain TAA participants, as well as

eligible Pension Benefit Guaranty Corporation (PBGC) pension recipients, can receive assistance in covering the cost of health insurance coverage. An “eligible PBGC pension recipient” is defined as an individual who is 55 years of age or older and is receiving a pension benefit paid in whole or part by PBGC. The tax credit is equal to 65% of the amount paid by an eligible individual for coverage of the individual and certain family members under qualified health insurance coverage.

Medigap Policies: In Maryland, a carrier may not issue, deliver, or renew a Medicare supplement (Medigap) policy in the State unless the Medigap policy complies with current State law. A Medigap policy is one that is advertised, marketed, or designed primarily as a supplement to reimbursements under Medicare for the hospital, medical, or surgical expenses of individuals eligible for Medicare. Currently, 20 carriers offer Medigap policies in Maryland, ranging from policy options A through J. Carriers that sell Plans C or I must guarantee issue to individuals who are under age 65 and eligible for Medicare due to disability.

Background: Chapter 153 of 2002 created MHIP, a high-risk pool used to provide comprehensive health insurance to medically-uninsurable individuals. MHIP is slated to begin enrolling individuals July 1, 2003, and is replacing the Substantial, Available, and Affordable Coverage product that was offered by health insurance carriers in the individual market. The MHIP fund is used for the operation and administration of MHIP as well as for the Senior Prescription Drug Program. The MHIP fund, a special nonlapsing fund, consists of: (1) premiums for coverage that MHIP issues; (2) premiums paid by enrollees of the Senior Prescription Drug Program; (3) an assessment on the base hospital rate of each hospital in the State for which the Health Services Cost Review Commission approves rates; (4) money deposited by a carrier for the Senior Prescription Drug Program, (5) income from investments; (6) interest; (7) money collected by the board as a result of legal or other actions taken by the board on behalf of the fund; and (8) all funds from the Maryland Health Care Trust, not exceeding \$471,728 in fiscal 2003.

In February 2003, International Steel Group, Inc. (ISG) announced its intention to purchase Bethlehem Steel which had previously filed for bankruptcy protection in 2001. Subsequent to the acquisition announcement, Bethlehem Steel announced that it planned to end health and life insurance benefits for retirees and dependents on March 31. This decision would impact over 19,000 Baltimore area retirees and their dependents. Bethlehem Steel advised that it had to terminate retiree health and life benefits for its 95,000 retirees because these benefits have cost the company approximately \$20 million per month since it filed for bankruptcy in October 2001.

State Expenditures: MHIP special fund expenditures could increase by \$2,240,000 in fiscal 2003. This estimate assumes 4,000 Bethlehem Steel retirees between the ages of 55 and 64 enroll in MHIP beginning June 1, 2003, pay monthly premiums ranging from \$287 to \$308 depending on age, and MHIP provides a \$262.50 monthly subsidy. Special fund expenditures would increase to \$26.9 million for fiscal 2004. Future year

expenditures reflect 12.7% health insurance inflation and assume annual enrollment decreases by 400 individuals as they become eligible for Medicare and enrollment in Medigap policies.

The notification requirements could be handled with existing MIA budgeted resources.

State Revenues: MHIP special fund premium revenues could increase by \$1,190,000 in fiscal 2003. This estimate reflects the following facts and assumptions:

- 2,000 Bethlehem Steel retirees ages 55-59 enroll in MHIP beginning June 1, 2003 and each pays a monthly premium of \$287; and
- 2,000 Bethlehem Steel retirees ages 60-64 enroll in MHIP beginning June 1, 2003 and each pays a monthly premium of \$308.

Future year revenues assume full enrollment for fiscal 2004, 12.7% health insurance inflation, and annual enrollment decreases by 400 individuals as they become eligible for Medicare and enrollment in Medigap policies.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 20-02*, U.S. Department of Labor, March 3, 2003; Maryland Insurance Administration; Maryland Health Insurance Program; Department of Legislative Services

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