

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 1183 (Delegate Goldwater)
Appropriations

State Employee and Retiree Health and Welfare Benefits Program - Health
Insurance Benefit Options - Employees of Special Taxing Districts

This bill permits employees of a special taxing district to enroll and participate in the State Employee and Retiree Health and Welfare Benefits Program (State health plan) with the approval of the governing body of the special taxing district. Each participating special taxing district must pay the State the full costs associated with its employees. In addition, each special taxing district must determine the extent to which it will subsidize its employees' health benefits.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: State health plan expenditures and revenues could each increase by a significant amount, depending on the number of special taxing districts that participate in the State health plan.

Local Effect: Special taxing district expenditures for employee health benefits could increase or decrease, depending on the nature of health benefits provided, if any, to employees. No effect on revenues.

Small Business Effect: None.

Analysis

Current Law: A special taxing district: (1) is a unit of government responsible for an area situated solely within a single county; (2) has a governing body elected independently of the county government; (3) is financed with revenues secured in whole or in part from special taxes or assessments levied on real property situated within the area; (4) permits municipal services for the area residents; and (5) was not created for a limited or special purpose or purposes.

A municipal corporation may create a special taxing district for the purpose of financing the design, construction, establishment, extension, alteration, or acquisition of adequate storm drainage systems, parking facilities, pedestrian malls, commercial district management authorities, street and area lighting, or ride sharing or bus systems.

Individuals eligible to enroll in the State Employee and Retiree Health and Welfare 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.

A qualifying not-for-profit organization that receives State funds from the Department of Health and Mental Hygiene that cover more than one-third of the organization's operating expenses may participate in the State Employee Health Benefits Plan. The organization must pay to the State plan a premium in the amount determined by the Department of Budget and Management (DBM), and any costs, as determined by DBM, for the administration of the program.

State Effect: State health plan reimbursable fund revenues could increase by a significant amount beginning in fiscal 2004, as a result of the 2% administrative fee paid by participating special taxing districts. There are approximately 250 special taxing districts in the State; however, it is unknown at this time how many special taxing districts would choose to participate in the State health plan.

State health plan expenditures could increase by a significant amount beginning fiscal 2004, if special taxing districts choose to participate in the plan. Expenditure increases result from additional administrative costs, increased health care utilization costs, and programming costs. Administrative costs discussed below would likely be covered by the 2% fee while increased utilization costs would not.

There are insufficient data at this time to reliably estimate the number of special taxing districts and their respective employees that might enroll. The State health plan currently administers 38 satellite accounts with 1,500 enrollees. Satellite accounts are not part of the State's Central Payroll System; accordingly, satellite account members must be billed and tracked manually via a separate system. The Employee Benefits Division, which administers the State health plan, has three permanent positions to manage 1,500 current satellite account enrollees. *For illustrative purposes only*, if an additional 1,500 enrollees enroll in the State health plan, State general fund expenditures could increase by at least \$148,776 in fiscal 2004 to hire additional staff and to make requisite Benefits Administration System (BAS) programming changes.

Local Fiscal Effect: Special taxing district expenditures for employee health benefits could increase or decrease, depending on the nature of health benefits provided, if any, to employees and the nature of benefits sought under the State health plan. While the State health plan medical plans may be more affordable for small groups such as special taxing districts, the State health plan offers a carve-out prescription drug plan, which is generally more expensive than those offered in other markets. The expense of the State's prescription drug plan stems from its rich benefit package, which offers very low copayments and no deductibles on drugs.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Caroline County, Department of Budget and Management (Employee Benefits Division), Baltimore City, Department of Legislative Services

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