

Department of Legislative Services  
Maryland General Assembly  
2003 Session

FISCAL AND POLICY NOTE

House Bill 505 (Delegates Cadden and Sophocleus)  
Health and Government Operations

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Health Insurance - Continuation of Coverage - Students

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This bill requires a health insurer, nonprofit health service plan, or HMO (carrier) to cover an enrollee's dependent, notwithstanding any age limitation in a policy, under specified circumstances.

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Fiscal Summary

**State Effect:** General fund revenues for the State Employee and Retiree Health and Welfare Benefits Plan (State health plan) could decrease by \$5,900 for each dependent who remains enrolled in the State health plan rather than electing continuation coverage. Minimal special fund revenue increase for the Maryland Insurance Administration from the \$125 form filing fee. No effect on Medicaid.

**Local Effect:** Revenues for local jurisdiction employee health benefits could be reduced depending upon the current type of health care coverage offered and number of enrollees.

**Small Business Effect:** Potential minimal. Revenues for small business health benefits could decrease, depending on the current type of health care coverage offered and number of enrollees.

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Analysis

**Bill Summary:** In situations where an enrollee's child, grandchild, or individual from whom guardianship is granted by a court or testamentary appointment (dependent) reaches a limiting age stated in the enrollee's health insurance policy or contract, a carrier must continue to cover the enrollee's dependent if the dependent: (1) is unmarried; (2) is

chiefly dependent for support on the enrollee; and (3) at the time of reaching the limiting age, is covered under the enrollee's policy or contract because the dependent is attending an accredited educational institution full-time, but is temporarily unable to return to full-time status because of illness, injury, impairment, or physical or mental condition that requires continuing treatment by a physician. Coverage is limited to the earlier of: (1) one year from the date on which the dependent became unable to return to full-time status; or (2) the date the dependent turns 25 years old. The dependent's coverage cannot extend beyond the date upon which the enrollee's coverage terminates. To be considered an eligible dependent, a grandchild must be a dependent and in the court-ordered custody of the enrollee, and any other individual must be a dependent and in the custody of the enrollee as a result of a guardianship, other than a temporary guardianship of fewer than 12 months' duration, granted by a court or testamentary appointment.

**Current Law:** In general, a carrier must cover an enrollee's eligible dependents who are under the age of 19. An exception is made if a dependent is permanently mentally or physically incapacitated, in which case the dependent may be covered after reaching a specified limiting age. There are no coverage provisions for situations where temporary mental or physical incapacitation prevent a dependent from maintaining full-time enrollment in an accredited educational institution, thereby maintaining eligibility under an enrollee's policy or contract.

The federal Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) permits an employee or qualified beneficiary (employee's spouse or dependent) to continue coverage in the employee's group health plan if the employee or qualified beneficiary loses group health care coverage due to a qualifying event. COBRA is intended to provide a bridge in coverage for a limited period of time so that the individual who lost coverage can get other group or individual health care coverage.

**State Fiscal Effect:** State health plan general fund revenues could decrease by \$5,877 per dependent student, beginning fiscal 2004, if a dependent student chooses to remain enrolled in the State health plan rather than elect COBRA continuation coverage. The State health plan offers coverage for a dependent student over the age of 19 if the dependent student is enrolled full-time in an accredited educational institution. If the dependent student ceases to be enrolled full-time, the dependent may continue coverage under COBRA. Under COBRA, the dependent is no longer eligible for the State premium subsidy and is required to pay the full premium. COBRA coverage for a former full-time student is permitted for a period of 36 months.

There are currently 5,075 dependents enrolled in the State health plan that qualify for coverage due to their full-time student status. It is unknown how many dependent students could continue enrollment in the State health plan under the bill's provisions.

However, for each dependent student who remains in the State health plan under the bill's provisions rather than continuation coverage under COBRA, State revenues could decrease by \$5,877 annually. This estimate reflects premium payments to the State plan required by COBRA for enrollment in a medical plan (\$316.42 per month), prescription drug plan (\$160.33 per month), and a dental plan (\$13.00 per month). *For illustrative purposes only*, if 5% of the eligible dependents choose to remain enrolled in the group health plan, State revenues could decrease by an estimated \$1,492,758 in fiscal 2004. There are insufficient data to reliably estimate the number of dependent students who would qualify under the bill's provisions.

If a dependent student chooses to remain enrolled in the State health plan rather than drop coverage altogether, State health plan expenditures would be maintained. Many people who lose group health care coverage choose not to elect COBRA continuation coverage because premium costs are prohibitive.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

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