

Department of Legislative Services

Maryland General Assembly

2003 Session

FISCAL AND POLICY NOTE

Revised

House Bill 8

(Delegates Pendergrass and Mitchell)

Appropriations

State Personnel - Health and Welfare Benefits Program - Required Health Insurance Benefits

This bill requires the Secretary of Budget and Management to include coverage in the State Employee and Retiree Health and Welfare Benefits Program (State plan) for all mandated health benefits required by law. This provision applies to all health insurance benefit options included in the State plan for the plan year beginning January 1, 2004.

The bill takes effect June 1, 2003.

Fiscal Summary

State Effect: Potential minimal increase in expenditures for the State plan beginning in FY 2004. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A health insurer, nonprofit health service plan, or HMO (carrier) must provide coverage for certain mandated health benefits in any policy, contract, or health benefit plan issued or delivered in the State.

The Department of Budget and Management (DBM) is responsible for administering the State plan, which provides health insurance and other health-related benefits to eligible employees, retirees, and their dependents.

The State plan includes both self-insured and fully-insured health plans. Public self-insured plans, in which all health claims are paid by the employer rather than a carrier, are generally not subject to State insurance law, thereby exempting self-insured plans from covering mandated health benefits. Accordingly, the State plan is not required to cover mandated health benefits under its self-insured health plans, but must provide them under its fully-insured health plans.

Background: As a matter of public policy, the State plan currently covers all mandated health benefits in both its self-insured and fully-insured plans; however, there have been isolated incidences where certain mandated benefits were not covered by participating carriers.

The Maryland Health Care Commission conducts an annual study of mandated health benefits. According to its December 31, 2002 report, there are 40 required health insurance benefits for services that carriers must include. On average, these mandated health benefits account for 15% of a health insurance policy premium's total cost.

State Fiscal Effect: To the extent the State plan is not providing coverage for mandated health benefits, State plan expenditures could increase, beginning in fiscal 2004. Any increase is expected to be minimal. State plan expenditures assume a fund mix of 60% general funds, 20% federal funds, and 20% special funds; 20% of expenditures are reimbursable through employee contributions. Revenues would not be affected.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Mandated Health Insurance Services Evaluation*, December 31, 2002, Maryland Health Care Commission; Maryland Insurance Administration; Department of Budget and Management (Employee Benefits Division); Department of Legislative Services

Fiscal Note History: First Reader - January 22, 2003
ncs/jr Revised - Clarification - January 31, 2003

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