

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 115 (Delegates Costa and Dwyer)
Health and Government Operations

Health Insurance - Coverage for Parents of Insured or Spouse of Insured

This bill requires an individual health insurance policy, a group health insurance policy, or a nonprofit health service plan contract that provides coverage to an insured's or member's family member to also provide coverage, upon request, to the insured's or member's parent, or the spouse's parent. To be eligible for coverage, a parent must be a State resident and between 50 and 63 years of age. An insurer or nonprofit health service plan may require proof of eligibility but must pay the cost of obtaining such proof.

The bill's provisions terminate September 30, 2007.

Fiscal Summary

State Effect: Potential significant expenditure increase in the State Employee and Retiree Health and Welfare Benefits Plan, beginning FY 2005. Potential minimal Medicaid expenditure reduction, beginning FY 2005. Potential minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2005. Minimal general fund revenue increase from the State's 2% insurance premium tax on for-profit carriers, beginning FY 2005.

Local Effect: Expenditures for local government employee health benefits could increase if carriers raise their premiums as a result of the bill's requirements. Revenues would not be affected.

Small Business Effect: Potential significant premium increase in the small business market.

Analysis

Current Law: A health insurance policy, group health insurance policy, and nonprofit health service plan contract that provides family member coverage must provide coverage to all eligible family members. These family members include: (1) subject to certain age restrictions, a dependent child, grandchild, or other minor for whom guardianship has been granted to the insured or member; and (2) regardless of age, a dependent child, grandchild, or other individual for whom guardianship has been granted to the insured or member, and who is incapable of self-support because of a mental or physical incapacity. In addition, an insurer, HMO, or nonprofit health service plan (carrier) must provide coverage to a child for whom a Qualified Medical Support Order has been issued to an insured or member.

An HMO is subject to the provisions of 15-401, 15-402, 15-403, 15-403.1, and 15-405 of the Insurance Article as they relate to children's insurance coverage.

State Fiscal Effect:

State Employee and Retiree Health and Welfare Benefits Plan (State plan):

If the State plan chooses to cover this mandated health benefit, expenditures could increase by a significant amount beginning in fiscal 2005. The State has both self-insured and fully-insured health plans. The State is not required to cover mandated benefits under its self-insured plans, but it has generally done so in the past. The bill does not require HMOs to provide parental coverage; however, if the State chooses to adopt a mandated benefit, it would most likely offer coverage of parents to all State employees, regardless of whether they are enrolled in the self-insured Preferred Provider Option, Point-of-Service plans (POS), or the fully-insured HMO.

There are approximately 70,500 active employees enrolled in the State plan. There are insufficient data at this time to reliably estimate the number of State employees who would choose to enroll their parents or their spouses' parents under the State plan. Because the State plan offers very comprehensive coverage with low out-of-pocket expenses compared to many private-sector plans, it is assumed the take-up rate for parents would be very high. *For illustrative purposes only*, if 10% of potentially eligible parents choose coverage under their child's health insurance, State plan expenditures could increase by \$18.3 million in fiscal 2005, which reflects new premiums going into effect January 1, 2005.

The information and assumptions used in calculating the estimate are stated below:

- there are potentially 108,000 parents of State employees who may be eligible for coverage;
- 10%, or 10,800, would choose to enroll;
- the annual cost per member is \$3,384; and
- future year estimates reflect annualization, a 1% increase in the number of enrolled parents, the bill's 2007 termination date, and 11.7% health insurance inflation in the State plan.

State plan expenditures assume a fund mix of 60% general funds, 20% federal funds, and 20% special funds; and 20% of expenditures are reimbursable through employee contributions.

Medicaid: Medicaid expenditures (50% federal, 50% general) could decrease by a negligible amount, beginning fiscal 2005. To the extent that current Medicaid recipients are eligible for and take up coverage under their child's insurance policy, Medicaid enrollment would decrease. Currently, there are approximately 30,000 Medicaid enrollees and about 7,000 Maryland Pharmacy Assistance Program enrollees aged 50 to 63. It is assumed few Medicaid enrollees would transfer to private insurance policies, which generally have much higher out-of-pocket costs than Medicaid coverage.

Small Business Effect: In 2002, approximately 53,000 small businesses provided insurance coverage to 448,000 covered lives in the small group market. Each policy carried an average 1.835 covered lives. Small business insurance premiums could increase significantly to provide coverage to parents, aged 50 to 63. Depending on the number of parents added to policies, carriers could increase premium rates by a significant amount for family coverage.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Maryland Small Group Health Insurance Market, Summary of Carrier Experience for 2002*; Maryland Health Care Commission; 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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