HB 665

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 665 (Chairman, Health and Government Operations Committee)
(By Request – Departmental – Health and Mental Hygiene)

Health and Government Operations and Appropriations Finance

Maryland Medical Assistance Program - Maryland Children's Health Program

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This departmental bill makes various changes to the Maryland Children's Health Program (MCHP) related to guaranteed eligibility and premium collection.

Fiscal Summary

State Effect: MCHP expenditures could decrease by $1.5 million (65% federal funds, 35% general funds) in FY 2005 only. MCHP special fund revenues from premiums could increase by $1.4 million in FY 2005 only. **DHMH's FY 2005 budget allowance assumes these Budget Reconciliation and Financing Act (BRFA) of 2003 cost containment provisions will be maintained in FY 2005.** Contingent on the enactment of HB 1271 of 2004, Medicaid expenditures could increase by $4.7 million ($2.3 million general funds, $2.4 million federal funds) in FY 2006. Future year estimates reflect inflation.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	$1,444,700	$0	$0	$0	$0
GF Expenditure	(525,000)	2,299,500	2,448,900	2,608,100	2,777,700
FF Expenditure	(974,900)	2,444,700	2,603,600	2,772,900	2,953,100
Net Effect	$2,944,600	($4,744,200)	($5,052,500)	($5,381,000)	($5,730,800)

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

Local Effect: None.

Small Business Effect: The Department of Health and Mental Hygiene (DHMH) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill extends for fiscal 2005 only the MCHP premium requirement imposed by Chapter 203 of 2003 (BRFA of 2003), which requires MCHP enrollees with family incomes of 185% up to 200% of the federal poverty level guidelines (FPG) to pay a 2% premium.

DHMH, subject to limitations of the State budget, must provide guaranteed eligibility for each Medicaid HealthChoice and MCHP enrollee for up to six months, unless the enrollee obtains health insurance through another source.

DHMH must allow a former MCHP premium plan enrollee whose family income is more than 200% and up to 300% of the federal poverty level guidelines (FPG) to reenroll in MCHP: (1) upon payment in full of any monthly premiums owed for prior periods of MCHP coverage; or (2) after a three-month waiting period. DHMH must notify enrollees of the reenrollment provisions.

A parent or guardian of an eligible MCHP enrollee must pay a premium that does not exceed 2% of the annual family income. DHMH may implement a tiered premium structure based on family income and size. Until DHMH establishes the tiered premium structure, the parent or guardian of an eligible MCHP enrollee must pay current premium requirements.

Contingent on the enactment of HB 1271, the guaranteed eligibility provisions take effect July 1, 2005. The continuation of the MCHP premium for enrollees with incomes between 185% and 200% takes effect July 1, 2004 and terminates June 30, 2005.

Current Law: MCHP provides comprehensive health care coverage to low-income children. A child whose family income is less than 200% FPG (see **Exhibit 1**) must enroll in a Medicaid managed care organization (MCO). A child whose family income is 200% to 300% FPG must enroll in the MCHP premium plan, where an enrollee must pay 2% of the annual premium for coverage. BRFA changed MCHP income provisions to require children between 185% and 200% FPG to enroll in the MCHP premium plan in order to reduce DHMH expenditures. These changes are effective for fiscal 2004 only.

Background: MCHP was established in 1998, pursuant to the federal Children's Health Insurance Program (Title XXI). The State's program provided health insurance coverage for children whose family incomes are at or below 200% of FPG.

Chapter 16 of 2000, the Maryland Health Programs Expansion Act of 2000, established a premium plan for MCHP. The plan allows children with family incomes above 200%, but at or below 300% of FPG, to enroll in Medicaid's HealthChoice program and requires an enrollee to pay a 2% premium. This program was implemented in 2001.

Due to severe budget constraints facing DHMH in fiscal 2004, the 2003 BRFA required premium payments from children whose families earned 185% to 200% FPG identical to those paid by enrollees with higher incomes. These provisions are effective for fiscal 2004 only. The predicted savings from this measure was $3.8 million in fiscal 2004; however, implementation of the premium requirement was delayed from July to October 2003, and actual savings are expected to be about $2.4 million.

Imposing the premium on lower-income families has resulted in an enrollment decline. There were 6,433 children enrolled in August 2003, but this figure dropped to 4,612 by December 2003 after the premium requirements were imposed. The fiscal 2005 budget allowance assumes the premium requirement for children 185% to 200% of FPG will continue. If the premium requirement is discontinued, there will be a $3.7 million deficit in the MCHP program because these funds have already been withdrawn from the budget.

DHMH may, but is not required to, provide guaranteed eligibility for Medicaid HealthChoice and MCHP enrollees for up to six months.

An individual whose MCHP enrollment is terminated due to the failure to pay a premium is ineligible for reenrollment until all premiums due to DHMH are paid in full.

HB 1271, if enacted, would establish a Community Health Resource Commission, whose mission is to maximize the use of community health resources to provide primary and specialty care to lower-income individuals. In addition, the bill would expand Medicaid eligibility to individuals with income up to 200% FPG to provide primary and office-based specialty care to parents of MCHP enrollees.

State Fiscal Effect: MCHP expenditures could decrease by an estimated $1.5 million (65% federal funds, 35% general funds) and special fund revenues could increase by $1.4 million in fiscal 2005 only, which reflects the bill's July 1, 2004 effective date, expenditure reductions from slowed growth, revenue increases from premium payments, and the June 30, 2005 termination date. The information and assumptions used in calculating the estimate are stated below:

- MCHP pays $1,580 per enrollee in fiscal 2005;

- imposing premium payments on enrollees who earn more than 185% FPG and up to 200% FPG slows the rate of enrollment growth, from approximately 16% annually to 8% annually, resulting in an expenditure reduction of $1,499,876;

- each of the 3,254 enrolled households pays a $37 monthly premium;

- there are an average 1.5 children per household; and

- annual premium revenue is $1,444,725.

MCHP Savings	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
Savings from Slowed Enrollment	$1,499,876	$2,548,041	$3,474,046	$4,642,833	$6,110,749
Increased Premium Revenue	1,444,725	1,592,761	1,755,966	1,935,894	2,134,259
Total Savings	**$2,944,601**	**$4,140,802**	**$5,230,012**	**$6,578,727**	**$8,245,008**

Medicaid expenditures could increase by $4,744,214 ($2,444,739 federal funds, $2,299,475 general funds) in fiscal 2006, which reflects the bill's July 1, 2005 effective date for the Medicaid guaranteed eligibility and MCHP premium debt forgiveness provisions. The information and assumptions used in calculating the estimate are stated below:

- providing guaranteed eligibility to HealthChoice and MCHP enrollees would cost approximately $4.3 million (50% federal funds, 50% general funds);

- permitting individuals to reenroll in MCHP without paying missed premiums would permit an additional 28 families per month to reenroll in MCHP and cost $453,511 (65% federal funds, 35% general funds); and

- forgiving missed premium payments would cost $30,703 (65% federal funds, 35% general funds).

Future year expenditures reflect 6.5% medical inflation in the Medicaid and MCHP programs.

Implementing a tiered premium structure based on the number of children in a family as well as family income would not have any fiscal impact.

Additional Comments:

Exhibit 1
2004 Federal Poverty Level Guidelines for Two Persons*

100%	$12,490
185%	$23,107
200%	$24,980
300%	$37,470

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Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid), Department of Legislative Services

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