Department of Legislative Services

Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 791 (Delegate Benson, *et al.*)
Health and Government Operations

Health Care Disclosure Act

This bill requires an applicant for Medicaid, the Maryland Children's Health Program (MCHP), or any State health care program to disclose the proposed beneficiary's employer. If the proposed beneficiary is not employed, the applicant must identify the employers of all family members whose income is counted as family income. The Department of Health and Mental Hygiene (DHMH) must publish a report identifying all employers that employ 25 or more beneficiaries under a State health program. The report must include the employer's name and location, the total number of employees and dependents who are enrolled in a State health program, and the total cost to the State of providing health care for these employees. DHMH must report to the General Assembly by December 1, 2006 on the bill's implementation.

Fiscal Summary

State Effect: DHMH expenditures could increase by $1.1 million (50% general funds, 50% federal funds) in FY 2006, which includes a one-time $640,000 expense for data systems programming. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	$0	$0	$0	$0	$0
GF Expenditure	549,900	275,300	291,700	309,300	328,400
FF Expenditure	549,900	275,300	291,700	309,300	328,400
Net Effect	($1,099,800)	($550,600)	($583,400)	($618,600)	($656,800)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: None applicable.

Background: Several states, facing rapidly-increasing Medicaid costs, are turning to the private sector to bear more of the costs. Wal-Mart, in particular, has been the focus of several states, who are accusing the company of providing substandard health benefits to its employees. According to the *New York Times*, Wal-Mart full-time employees earn on average $1,200 a month, or about $8 an hour.

Several states claim many Wal-Mart employees end up on public health programs such as Medicaid. A survey by Georgia officials found that more than 10,000 children of Wal-Mart employees were enrolled in the state's children's health insurance program at a cost of nearly $10 million annually. Similarly, a North Carolina hospital found that 31% of 1,900 patients who said they were Wal-Mart employees were enrolled in Medicaid, and an additional 16% were uninsured.

As a result, several states have turned to Wal-Mart to assume more of the financial burden of its workers' health care costs. California passed a law in 2003 that will require most employers to either provide health coverage to employees or pay into a state insurance pool that would do so. Advocates of the law say Wal-Mart employees cost California health insurance programs about $32 million annually. Washington State is exploring implementing a similar state law.

According to the *New York Times*, Wal-Mart says that its employees are mostly insured, citing internal surveys showing that 90% of workers have health coverage, often through Medicare or family members' policies. Wal-Mart officials say the company provides health coverage to about 537,000 people, or 45% of its total work force. As a matter of comparison, Costco Wholesale provides health insurance to 96% of eligible employees.

State Fiscal Effect: DHMH expenditures could increase by $1,099,764 (50% general funds, 50% federal funds) in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. Medicaid and MCHP applications current ask for employer information, but it is not verified, and neither the Department of Human Resources' (DHR) Clients Automated Resource and Eligibility System (CARES) or Medicaid's Management Information Systems (MMIS) is programmed to match employees by employer. This estimate reflects $640,000 to modify enrollment forms and reprogram existing databases to capture and report employer information from Medicaid, MCHP, and the Maryland Pharmacy Assistance Program (MPAP). It reflects the cost of hiring eight income maintenance specialists and one supervisor to verify employer data during the Medicaid and MCHP application process, 1.5 data programmers to modify the CARES eligibility system, and one part-time contractual health policy analyst to very data and reporting. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- DHR modifies the CARES database to add a new field with employer identification numbers to capture employer data on an estimated 500,000 Medicaid and MCHP applications annually, at a cost of $350,000 (50% general funds, 50% federal funds);

- FirstHealth, the pharmacy benefits manager for Medicaid and other state pharmacy programs, modifies its database to create an employer field and link with CARES, and runs an employer report for all pharmacy applications, at a cost of $250,000;

- MPAP applications are revised and printed to collect employer information, at a cost of $15,000; and

- DHMH hires a contractor to create a program within MMIS to match employees by employer, at a cost of $25,000.

Salaries and Fringe Benefits	$366,663
Data Systems Programming	640,000
Other Operating Expenses	93,101
Total FY 2006 State Expenditures	**$1,099,764**

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover (6.8% employee for one part-time contractual employee); and (2) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: SB 471 (Senator Grosfeld, *et al.*) – Finance.

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

Fiscal Note History: First Reader - February 22, 2005
ncs/jr

Analysis by: Susan D. John

Direct Inquiries to:
(410) 946-5510
(301) 970-5510