

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1171 (Delegate Sophocleus, *et al.*)
 Health and Government Operations

Catastrophic Illness in Children Relief Commission

This bill establishes the Catastrophic Illness in Children Relief Commission within the Department of Health and Mental Hygiene (DHMH). The commission must establish and administer a program for the reimbursement of medical expenses of children with catastrophic illnesses, using monies from a new fund created for this purpose.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: Catastrophic Illness in Children Relief Fund revenues would be \$290,000 in FY 2006. Commission special fund expenditures would total \$290,000 in FY 2006 to provide grants to eligible children. DHMH general fund expenditures would increase by \$104,700 in FY 2006 to revise fee schedules for birth certificates and provide staff support for the commission. Future year estimates reflect annualization and inflation.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$290,000	\$292,900	\$295,800	\$298,800	\$301,800
GF Expenditure	104,700	101,100	107,200	113,700	120,700
SF Expenditure	290,000	292,900	295,800	298,800	301,800
Net Effect	(\$104,700)	(\$101,100)	(\$107,200)	(\$113,700)	(\$120,700)

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

Local Effect: Local health departments could collect and remit fees to the fund with existing budgeted resources.

Small Business Effect: None.

Analysis

Bill Summary: The program is funded by a \$1 surcharge placed on each copy of a birth certificate issued by DHMH or a local health department. The monies collected from the surcharge may be used to subsidize the costs incurred to treat a child's illness or condition when the medical expenses are not covered by any other federal or State program or insurance contract. If a family's income is \$100,000 or less, expenses must exceed 30% of the income. If a family's income is more than \$100,000, expenses must exceed 40% of the income. The Office of Legislative Audits must periodically audit the fund.

On July 1 annually, the commission must report to the Governor and the General Assembly on: (1) the number of children who applied to the commission for financial assistance; (2) average expenditures per child; (3) the nature and type of catastrophic illnesses for which the fund provided assistance; (4) the average income and expenditures of families who received assistance; and (5) any recommendations on changes to the structure of the fund.

Current Law: None applicable.

Background: Recognizing the financial burden placed on families whose children suffer from catastrophic illnesses, two states – New Jersey and Massachusetts – have created similar funds to help defray medical costs for eligible children. New Jersey implemented a similar fund in 1998, funded by a \$1 surcharge on each employee working in the state. Since 1989, when the first awards were granted, more than 3,265 families have been assisted and more than \$78 million has been approved for uncovered expenses. Massachusetts passed similar legislation in 2000. Its fund comprises an annual allotment of \$1 for each employee whose wages are counted as part of employer contributions for unemployment health insurance.

State Fiscal Effect: Catastrophic Illness in Children Relief Fund special funds could total as much as \$290,000 in fiscal 2006 from the \$1 surcharge placed on birth certificates issued in the State. DHMH and 20 local health departments issued an average 290,000 birth certificates in both fiscal 2003 and 2004. It is assumed all funds collected would be distributed to qualified families. Future year estimates assume 1% increases resulting from population growth.

DHMH general fund expenditures could total \$104,707 in fiscal 2006, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring one administrative officer and one office secretary to review and approve applications, verify expenses and income, and distribute funds. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It also includes \$21,000 in fiscal 2006 only to print

revised forms, pamphlets, and brochures that reflect the new cost of a birth certificate. Reimbursement for commission members could be provided with existing budgeted resources of DHMH. The bill is silent on the provision of staff for the commission. As the allowable uses of the special fund do not include administrative costs, it is assumed DHMH would provide staff using general fund expenditures. If the new fund were required to cover staffing costs, the funds available for distribution would be reduced by \$83,000 in fiscal 2006 and more than \$100,000 in subsequent years.

Salaries and Fringe Benefits	\$68,884
Printing Costs	21,000
Operating Expenses	<u>14,823</u>
Total FY 2006 DHMH General Fund Expenditures	\$104,707

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The Office of Legislative Audits could conduct required audits with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Family Health Administration, Vital Statistics Administration), Department of Legislative Services (Office of Legislative Audits)

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ncs/jr

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