

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 53 (Delegate Pendergrass, *et al.*)
 Health and Government Operations

Maryland Medical Assistance Program and Maryland Children's Health Program - Guaranteed Eligibility and Reenrollment

This bill requires the Department of Health and Mental Hygiene (DHMH), subject to limitations of the State budget to provide guaranteed eligibility for each Medicaid HealthChoice enrollee for up to six months, unless the enrollee obtains health insurance through another source.

DHMH must allow a former Maryland Children's Health Program (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) without paying owed premiums for prior coverage, if the enrollee waits to reenroll after a three-month waiting period. DHMH must notify enrollees of the reenrollment provisions.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: Medicaid expenditures could increase by \$5.5 million (\$2.6 million general funds, \$2.9 million federal funds) in FY 2006. Future year estimates reflect annualization and inflation.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	2.6	2.7	2.9	3.1	3.3
FF Expenditure	2.9	3.1	3.2	3.4	3.6
Net Effect	(\$5.5)	(\$5.8)	(\$6.1)	(\$6.5)	(\$6.9)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: 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.

MCHP enrollees with family incomes from 200% up to 250% FPG pay a \$41 monthly premium (2% of family income at 200% FPG). MCHP enrollees with family incomes from 250% up to 300% FPG pay a \$52 monthly premium (2% of family income at 250% FPG).

Background: DHMH terminated six-month guaranteed eligibility in fiscal 2005 as part of its cost-containment measures. DHMH estimates it saved about \$4 million in fiscal 2005 by eliminating the guaranteed-eligibility provisions.

In July 2004, 710 individuals enrolled in HealthChoice and subsequently exited the program in fewer than six months. Of these approximately 23%, or 163, left because they obtained other health insurance.

State Fiscal Effect: Medicaid expenditures could increase by \$5,491,608 (federal funds, 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 \$4.4 million (50% federal funds, 50% general funds);
- permitting individuals to reenroll in MCHP without paying missed premiums would permit an additional 55 families per month to reenroll in MCHP and cost \$938,488 (65% federal funds, 35% general funds);
- forgiving missed premium payments would cost \$71,895 (65% federal funds, 35% general funds); and

- Medicaid would hire one fiscal technician and one office clerk to manage an increased tracking workload at a cost of \$73,358 (65% federal funds, 35% general funds).

This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$60,295
HealthChoice Six-month Guaranteed Eligibility	4,407,867
Elimination of MCHP Premium Repayment	938,488
Lost MCHP Premium Revenue	71,895
Other Operating Expenses	<u>13,063</u>
Total FY 2006 State Expenditures	\$5,491,608

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; and (3) 5.8% medical inflation in the Medicaid and MCHP programs.

Additional Information

Prior Introductions: A similar bill, HB 1117, was introduced in 2004. It passed the House and received a favorable report from the Senate Finance Committee. No further action was taken. HB 665 of 2004 was amended to include a guaranteed-eligibility provision. The amended version passed the House, but was not reported from the Senate Finance Committee.

Cross File: None.

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

Fiscal Note History: First Reader - February 1, 2005
ncs/jr

Analysis by: Susan D. John

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

