

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 538
 Appropriations

(Delegate F. Turner, *et al.*)

State Employees - Health Insurance and Benefit Options - Dependent Grandchildren

This bill provides that a State employee may enroll a dependent grandchild in any of the health insurance or other benefit options in the State Employee and Retiree Health and Welfare Benefits Plan (State plan) if the employee: (1) permanently resides with the grandchild; and (2) provides 50% or more of the financial support for the grandchild.

Fiscal Summary

State Effect: State plan expenditures could increase by an estimated \$626,100 in FY 2006. Future year expenditures reflect inflation. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF/FF Exp.	626,100	699,300	781,100	872,500	974,600
Net Effect	(\$626,100)	(\$699,300)	(\$781,100)	(\$872,500)	(\$974,600)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Statute requires the Secretary of Budget and Management to specify by regulation the types or categories of State employees who are eligible to enroll and participate in the State plan.

COMAR provides that a State employee or retiree may cover a child permanently residing in the household of which the employee or retiree is the head, and who is being supported solely by the employee or retiree, provided that the employee or retiree is related to the child by blood or marriage or is the child's legal guardian.

Background: Facing double digit health benefit inflation, the Department of Budget and Management (DBM) has been exploring ways to cut or slow rising costs in the State plan. In 2004, DBM proposed a number of changes to the State plan for calendar 2005, many of which increased cost sharing for employees and retirees. One proposed change would have required an enrollee to provide 100%, rather than 50%, support to specified minor children. These changes, however, conflicted with fiscal 2004 budget language requiring 2005 benefits to remain identical to those provided in 2004, unless DBM and State employee labor organizations negotiated any changes.

On November 22, 2004, DBM decided to delay most plan changes and cost increases until July 1, 2005 to permit the State and labor organizations more time to negotiate costs. DBM did, however, change dependent child eligibility requirements to require an enrollee to be the sole support of a minor child in the household, effective January 1, 2005.

State Fiscal Effect: State plan expenditures could increase by an estimated \$626,076 in fiscal 2006 from increased enrollment of dependent grandchildren. This estimate is based on the following facts and assumptions:

- in fiscal 2004, there were 1,533 enrollees who covered grandchildren on their plan, 90% of whom still cover grandchildren under the more stringent requirements;
- due to the bill's reduced support requirement, enrollees would add 153 new dependent grandchildren; and
- coverage for each child costs \$4,092.

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. Future year estimates reflect 11.7% health insurance inflation in the State plan.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

Fiscal Note History: First Reader - February 13, 2005
ncs/rhh

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