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By: **Delegates Elliott, Benson, Donoghue, Goldwater, Hammen, Hogan, Hubbard, Kohl, Krebs, Kullen, Mandel, Morhaim, Murray, Nathan-Pulliam, Oaks, Rudolph, Shewell, Stocksdale, V. Turner, and Weldon**

Introduced and read first time: February 10, 2006

Assigned to: Health and Government Operations

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A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance Premium Subsidy Program**

3 FOR the purpose of establishing a Health Insurance Premium Subsidy Program in  
4 the Department of Health and Mental Hygiene; establishing the purposes,  
5 eligibility requirements, and subsidy qualifications of the Program; specifying  
6 the responsibilities of the Department under the Program; establishing a Health  
7 Insurance Premium Subsidy Fund; establishing the sources and uses of funds in  
8 the Health Insurance Premium Subsidy Fund; requiring the Treasurer to invest  
9 the money in the Fund in a certain manner; providing that any investment  
10 earnings of the Fund shall be retained to the credit of the Fund; requiring  
11 expenditures from the Fund to be made only in accordance with the State  
12 budget; providing that the Fund is subject to audit by the Office of Legislative  
13 Audits; imposing a surcharge on the income tax of certain individuals with  
14 income above a certain level; providing that the surcharge does not apply if  
15 certain individuals had certain health care coverage or did not reside in the  
16 State; providing for certain exceptions; requiring the revenues from the  
17 surcharge to be distributed to the Health Insurance Premium Subsidy Fund;  
18 requiring an employer to base withholding for certain employees on a certain  
19 number of exemptions under certain circumstances; requiring the Comptroller  
20 to widely publicize the requirements of this Act for a certain purpose; defining  
21 certain terms; providing for the application of certain provisions of this Act;  
22 providing for a delayed effective date for certain provisions of this Act; and  
23 generally relating to the establishment of a Health Insurance Premium Subsidy  
24 Program and an income tax surcharge.

25 BY adding to

26 Article - Health - General

27 Section 15-701 through 15-705, inclusive, to be under the new subtitle "Subtitle

28 7. Health Insurance Premium Subsidy Program"

29 Annotated Code of Maryland

30 (2005 Replacement Volume and 2005 Supplement)

1 BY repealing and reenacting, with amendments,  
2 Article - Insurance  
3 Section 15-1301(f)(1)  
4 Annotated Code of Maryland  
5 (2002 Replacement Volume and 2005 Supplement)

6 BY adding to  
7 Article - Tax - General  
8 Section 10-106.2  
9 Annotated Code of Maryland  
10 (2004 Replacement Volume and 2005 Supplement)

11 BY repealing and reenacting, with amendments,  
12 Article - Tax - General  
13 Section 10-910(b)  
14 Annotated Code of Maryland  
15 (2004 Replacement Volume and 2005 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
17 MARYLAND, That the Laws of Maryland read as follows:

18 **Article - Health - General**

19 **SUBTITLE 7. HEALTH INSURANCE PREMIUM SUBSIDY PROGRAM.**

20 15-701.

21 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
22 INDICATED.

23 (B) "FUND" MEANS THE HEALTH INSURANCE PREMIUM SUBSIDY FUND.

24 (C) "PROGRAM" MEANS THE HEALTH INSURANCE PREMIUM SUBSIDY  
25 PROGRAM.

26 15-702.

27 (A) THERE IS A HEALTH INSURANCE PREMIUM SUBSIDY PROGRAM IN THE  
28 DEPARTMENT.

29 (B) THE PURPOSES OF THE PROGRAM ARE TO:

30 (1) PROVIDE AN INCENTIVE FOR INDIVIDUALS AND FAMILIES WITH  
31 MODERATE INCOME TO PURCHASE HEALTH INSURANCE;

32 (2) ASSIST INDIVIDUALS AND FAMILIES WITH MODERATE INCOME TO  
33 AFFORD HEALTH INSURANCE;

1 (3) PROMOTE ACCESS TO HEALTH CARE SERVICES, PARTICULARLY  
2 PREVENTIVE HEALTH CARE SERVICES THAT MIGHT REDUCE THE NEED FOR  
3 EMERGENCY ROOM CARE AND OTHER ACUTE CARE SERVICES; AND

4 (4) REDUCE UNCOMPENSATED CARE IN HOSPITALS AND OTHER  
5 HEALTH CARE SETTINGS.

6 (C) FUNDING FOR THE PROGRAM SHALL BE PROVIDED FROM THE HEALTH  
7 INSURANCE PREMIUM SUBSIDY FUND ESTABLISHED UNDER THIS SUBTITLE.

8 15-703.

9 (A) TO BE ELIGIBLE FOR THE PROGRAM, AN INDIVIDUAL:

10 (1) SHALL HAVE HOUSEHOLD INCOME AT OR BELOW 300% OF THE  
11 FEDERAL POVERTY GUIDELINES;

12 (2) MAY NOT HAVE ACCESS TO AN EMPLOYER SPONSORED PLAN OR  
13 GROUP HEALTH INSURANCE PLAN, EXCEPT UNDER A CONTINUATION OF BENEFITS  
14 PROVISION;

15 (3) MAY NOT HAVE BEEN COVERED BY HEALTH INSURANCE, EXCEPT AS  
16 A DEPENDENT, FOR AT LEAST 6 CONSECUTIVE MONTHS AT THE TIME OF  
17 APPLICATION FOR THE PROGRAM;

18 (4) SHALL BE A RESIDENT OF THE STATE;

19 (5) SHALL AGREE TO PAY INSURANCE PREMIUMS AND ADHERE TO  
20 OTHER REQUIRED PROVISIONS OF A HEALTH INSURANCE POLICY; AND

21 (6) SHALL SATISFY ANY OTHER ELIGIBILITY REQUIREMENTS  
22 ESTABLISHED BY THE DEPARTMENT.

23 (B) AN INDIVIDUAL SHALL REMAIN ELIGIBLE TO PARTICIPATE IN THE  
24 PROGRAM FOR UP TO 24 MONTHS, AS LONG AS THE INDIVIDUAL CONTINUES TO MEET  
25 THE REQUIREMENTS UNDER SUBSECTION (A) OF THIS SECTION.

26 15-704.

27 (A) BEGINNING IN JANUARY 2008, THE DEPARTMENT SHALL PROVIDE A  
28 SUBSIDY FOR A HEALTH INSURANCE POLICY PURCHASED BY AN INDIVIDUAL WHO  
29 MEETS THE ELIGIBILITY REQUIREMENTS OF THIS SUBTITLE.

30 (B) THE SUBSIDY SHALL, ON A MONTHLY BASIS:

31 (1) BE PROVIDED THROUGH A VOUCHER;

32 (2) FOR UP TO THE FIRST 12 MONTHS OF ELIGIBILITY, EQUAL THE  
33 LESSER OF:

- 1 (I) 40% OF THE PREMIUM FOR THE HEALTH INSURANCE POLICY;  
2 OR
- 3 (II) 1. \$100 FOR INDIVIDUAL COVERAGE; OR  
4 2. \$200 FOR INDIVIDUAL PLUS SPOUSE, INDIVIDUAL PLUS  
5 CHILDREN, OR FAMILY COVERAGE; AND
- 6 (3) FOR MONTHS OF ELIGIBILITY 13 THROUGH 24, EQUAL THE LESSER  
7 OF:
- 8 (I) 20% OF THE PREMIUM FOR THE HEALTH INSURANCE POLICY;  
9 OR
- 10 (II) 1. \$50 FOR INDIVIDUAL COVERAGE; OR  
11 2. \$100 FOR INDIVIDUAL PLUS SPOUSE, INDIVIDUAL PLUS  
12 CHILDREN, OR FAMILY COVERAGE.
- 13 (C) THE DEPARTMENT SHALL ENROLL THE CHILDREN OF ELIGIBLE  
14 INDIVIDUALS IN THE MARYLAND CHILDREN'S HEALTH PROGRAM, TO THE EXTENT  
15 THAT THE CHILDREN MEET ELIGIBILITY REQUIREMENTS, AND RESOURCES ARE  
16 AVAILABLE THROUGH THE ANNUAL STATE BUDGET.
- 17 (D) TO QUALIFY FOR A SUBSIDY UNDER THE PROGRAM, A HEALTH INSURANCE  
18 POLICY MUST BE EITHER:
- 19 (1) AN INDIVIDUAL HEALTH BENEFIT PLAN; OR
- 20 (2) A POLICY OR CONTRACT PROVIDED UNDER A CONTINUATION OF  
21 BENEFITS PROVISION.
- 22 15-705.
- 23 (A) THERE IS A HEALTH INSURANCE PREMIUM SUBSIDY FUND.
- 24 (B) THE PURPOSE OF THE FUND IS TO SUPPORT THE PROGRAM.
- 25 (C) THE DEPARTMENT SHALL ADMINISTER THE FUND.
- 26 (D) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT SUBJECT  
27 TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.
- 28 (2) THE TREASURER SHALL HOLD THE FUND SEPARATELY, AND THE  
29 COMPTROLLER SHALL ACCOUNT FOR THE FUND.
- 30 (E) THE FUND CONSISTS OF:
- 31 (1) REVENUE DISTRIBUTED TO THE FUND UNDER § 10-106.2 OF THE TAX  
32 - GENERAL ARTICLE;

- 1 (2) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND;
- 2 (3) INVESTMENT EARNINGS; AND
- 3 (4) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR THE  
4 BENEFIT OF THE FUND.
- 5 (F) THE FUND MAY BE USED ONLY FOR:
- 6 (1) HEALTH INSURANCE PREMIUM SUBSIDIES PROVIDED UNDER §  
7 15-704 OF THIS SUBTITLE; AND
- 8 (2) THE DIRECT COSTS OF ADMINISTERING THE PROGRAM.
- 9 (G) (1) THE TREASURER SHALL INVEST THE MONEY OF THE FUND IN THE  
10 SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.
- 11 (2) ANY INVESTMENT EARNINGS OF THE FUND SHALL BE PAID INTO  
12 THE FUND.
- 13 (H) EXPENDITURES FROM THE FUND MAY BE MADE ONLY IN ACCORDANCE  
14 WITH THE STATE BUDGET.
- 15 (I) THE FUND IS SUBJECT TO AUDIT BY THE OFFICE OF LEGISLATIVE AUDITS.

16

**Article - Insurance**

17 15-1301.

- 18 (f) (1) "Creditable coverage" means coverage of an individual under:
- 19 (i) an employer sponsored plan;
- 20 (ii) a health benefit plan;
- 21 (iii) Part A or Part B of Title XVIII of the Social Security Act;
- 22 (iv) Title XIX OR TITLE XXI of the Social Security Act, other than  
23 coverage consisting solely of benefits under § 1928 of that Act;
- 24 (v) Chapter 55 of Title 10 of the United States Code;
- 25 (vi) a medical care program of the Indian Health Service or of a  
26 tribal organization;
- 27 (vii) a State health benefits risk pool;
- 28 (viii) a health plan offered under the Federal Employees Health  
29 Benefits Program (FEHBP), Title 5, Chapter 89 of the United States Code;

1 (ix) a public health plan as defined by federal regulations  
2 authorized by the Public Health Service Act, § 2701(c)(1)(i), as amended by P.L.  
3 104-191; or

4 (x) a health benefit plan under § 5(e) of the Peace Corps Act, 22  
5 U.S.C. 2504(e).

6 **Article - Tax - General**

7 10-106.2.

8 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
9 INDICATED.

10 (2) "APPLICABLE POVERTY INCOME LEVEL" MEANS THE AMOUNT  
11 SPECIFIED IN THE POVERTY INCOME STANDARD THAT CORRESPONDS TO THE  
12 NUMBER OF EXEMPTIONS THAT THE INDIVIDUAL IS ALLOWED AND CLAIMS UNDER §  
13 10-211(1) OF THIS ARTICLE.

14 (3) "HEALTH CARE COVERAGE" MEANS CREDITABLE COVERAGE AS  
15 DEFINED IN § 15-1301 OF THE INSURANCE ARTICLE.

16 (4) "POVERTY INCOME STANDARD" MEANS THE MOST RECENT POVERTY  
17 INCOME GUIDELINES PUBLISHED BY THE UNITED STATES DEPARTMENT OF HEALTH  
18 AND HUMAN SERVICES, AVAILABLE AS OF JULY 1 OF THE TAXABLE YEAR.

19 (B) SUBJECT TO SUBSECTIONS (C) AND (D) OF THIS SECTION, IN ADDITION TO  
20 THE STATE INCOME TAX UNDER § 10-105(A) OF THIS SUBTITLE:

21 (1) IF THE FEDERAL ADJUSTED GROSS INCOME OF AN INDIVIDUAL  
22 EXCEEDS 500% OF THE APPLICABLE POVERTY INCOME LEVEL, THE INDIVIDUAL IS  
23 SUBJECT TO A SURCHARGE OF \$1,000, UNLESS THE INDIVIDUAL AND EACH  
24 DEPENDENT CHILD OF THE INDIVIDUAL HAD HEALTH CARE COVERAGE:

25 (I) FOR AT LEAST 6 MONTHS OF THE TAXABLE YEAR; AND

26 (II) ON DECEMBER 31 OF THE TAXABLE YEAR.

27 (2) (I) FOR A MARRIED COUPLE FILING A JOINT RETURN, EXCEPT AS  
28 PROVIDED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH, IF THE JOINT FEDERAL  
29 ADJUSTED GROSS INCOME OF THE MARRIED COUPLE EXCEEDS 500% OF THE  
30 APPLICABLE POVERTY INCOME LEVEL, THE MARRIED COUPLE IS SUBJECT TO A  
31 SURCHARGE OF \$2,000, UNLESS EACH SPOUSE AND EACH DEPENDENT CHILD OF THE  
32 MARRIED COUPLE HAD HEALTH CARE COVERAGE:

33 1. FOR AT LEAST 6 MONTHS OF THE TAXABLE YEAR; AND

34 2. ON DECEMBER 31 OF THE TAXABLE YEAR.

1 (II) THE SURCHARGE FOR A MARRIED COUPLE UNDER THIS  
2 PARAGRAPH IS \$1,000, IF EACH DEPENDENT CHILD OF THE MARRIED COUPLE AND  
3 EITHER THE HUSBAND OR WIFE HAD HEALTH CARE COVERAGE:

4 1. FOR AT LEAST 6 MONTHS OF THE TAXABLE YEAR; AND

5 2. ON DECEMBER 31 OF THE TAXABLE YEAR.

6 (C) THIS SECTION DOES NOT APPLY TO A NONRESIDENT, INCLUDING A  
7 NONRESIDENT SPOUSE OR A NONRESIDENT DEPENDENT.

8 (D) THE COMPTROLLER SHALL PROVIDE FOR EXCEPTIONS TO SUBSECTION (B)  
9 OF THIS SECTION FOR INDIVIDUALS:

10 (1) JUST ENTERING THE WORKFORCE;

11 (2) RECENTLY MOVING INTO THE STATE; OR

12 (3) WHO ARE UNEMPLOYED FOR 4 OR MORE CONSECUTIVE WEEKS.

13 (E) THE TAXPAYER SHALL INDICATE ON THE TAX RETURN, IN THE FORM  
14 REQUIRED BY THE COMPTROLLER, THE PRESENCE OF HEALTH CARE COVERAGE  
15 THAT MEETS THE REQUIREMENTS OF SUBSECTION (B) OF THIS SECTION FOR THE  
16 INDIVIDUAL, THE SPOUSE IN THE CASE OF A MARRIED COUPLE, AND EACH  
17 DEPENDENT CHILD.

18 (F) NOTWITHSTANDING § 2-609 OF THIS ARTICLE, AFTER DEDUCTING A  
19 REASONABLE AMOUNT FOR ADMINISTRATIVE COSTS, THE COMPTROLLER SHALL  
20 DISTRIBUTE THE REVENUES FROM THE SURCHARGE TO THE HEALTH INSURANCE  
21 PREMIUM SUBSIDY FUND ESTABLISHED IN § 15-705 OF THE HEALTH - GENERAL  
22 ARTICLE.

23 10-910.

24 (b) (1) Except as provided in [paragraph (2)] PARAGRAPHS (2) AND (4) of this  
25 subsection, an employer shall base withholding for an employee:

26 (i) on the number of exemptions stated in the exemption certificate  
27 that the employee files; or

28 (ii) if the employee fails to file an exemption certificate or files an  
29 invalid certificate under subsection (c) of this section, on 1 exemption.

30 (2) If the Comptroller notifies an employer that an employee has an  
31 unpaid tax liability or that the employee failed to file a required Maryland income tax  
32 return or that an employee is subject to a tax refund interception request, the  
33 employer shall base withholding for the employee:

34 (i) on a number of exemptions not exceeding the actual number of  
35 exemptions allowed on the employee's prior year's income tax return, as specified by  
36 the Comptroller; or

1 (ii) if the employee failed to file a required Maryland income tax  
2 return, on 1 exemption.

3 (3) (I) IN THIS PARAGRAPH AND PARAGRAPH (4) OF THIS SUBSECTION  
4 THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

5 (II) "APPLICABLE POVERTY INCOME LEVEL" MEANS THE AMOUNT  
6 SPECIFIED IN THE POVERTY INCOME STANDARD THAT CORRESPONDS TO THE  
7 NUMBER OF EXEMPTIONS THAT THE INDIVIDUAL IS ALLOWED AND CLAIMS UNDER §  
8 10-211(1) OF THIS ARTICLE.

9 (III) "HEALTH CARE COVERAGE" MEANS CREDITABLE COVERAGE AS  
10 DEFINED IN § 15-1301 OF THE INSURANCE ARTICLE.

11 (IV) "POVERTY INCOME STANDARD" MEANS THE MOST RECENT  
12 POVERTY INCOME GUIDELINES PUBLISHED BY THE UNITED STATES DEPARTMENT  
13 OF HEALTH AND HUMAN SERVICES, AVAILABLE AS OF JULY 1 OF THE TAXABLE YEAR.

14 (4) AN EMPLOYER SHALL BASE WITHHOLDING FOR AN EMPLOYEE ON  
15 ZERO EXEMPTIONS IF THE COMPENSATION OF THE EMPLOYEE IS EXPECTED TO  
16 EXCEED 500% OF THE APPLICABLE POVERTY INCOME LEVEL IN ANY TAX YEAR AND  
17 THE EMPLOYEE DOES NOT HAVE HEALTH CARE COVERAGE FROM THE EMPLOYER OR  
18 HAS NOT PRESENTED THE EMPLOYER WITH A CERTIFICATION OF OTHER HEALTH  
19 CARE COVERAGE.

20 SECTION 2. AND BE IT FURTHER ENACTED, That the Comptroller shall  
21 widely publicize the requirements of this Act to provide an adequate opportunity for  
22 individuals to obtain health care coverage and avoid a surcharge.

23 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall  
24 take effect January 1, 2007 and shall be applicable to all taxable years beginning  
25 after December 31, 2006.

26 SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in  
27 Section 3 of this Act, this Act shall take effect July 1, 2006.