

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 882 (Delegate Morhaim, *et al.*)
Health and Government Operations

Health Insurance - Continuation of Coverage for Adult Children

This bill requires a group or individual health benefit plan issued or delivered in the State by a health insurer, nonprofit health service plan, or HMO (carrier) to permit a child to continue to be covered after the child meets the limiting age specified in the contract if the child has had continuous coverage for at least two years prior to reaching the limiting age.

Fiscal Summary

State Effect: Minimal special fund revenue increase in FY 2007 only for the Maryland Insurance Administration from the \$125 rate and form filing fee. Potential significant increase in State Employee and Retiree Health and Welfare Benefits Program (State plan) expenditures beginning in FY 2007.

Local Effect: Local jurisdiction health benefit expenditures could increase to the extent employees are enrolled in fully-insured plans and continue to cover their adult children.

Small Business Effect: Potential meaningful. To the extent small business employees continue to cover adult children, expenditures could increase.

Analysis

Bill Summary: The continuation of coverage must end the earlier of: (1) the end of the month in which the child attains age 30; (2) the date on which the child accepts coverage under another individual health benefit plan; (3) the date on which the child becomes eligible for coverage under an employer-sponsored health benefit plan as other than a dependent; or (4) the date on which the parent elects to terminate coverage for the child. This continuation right may not be used to terminate coverage for an incapacitated child.

The bill applies to all policies and contracts issued, delivered, or renewed in the State on or after October 1, 2006. Any policy or contract in effect before October 1, 2006 must comply with the bill no later than October 1, 2007.

Current Law: Notwithstanding any limiting age stated in a health benefit policy, a child, grandchild, or individual for whom guardianship is granted must continue to be covered under the policy as a dependent of a covered individual if the child, grandchild, or individual under guardianship is unmarried, chiefly dependent for support on the covered individual, and is incapable of self-support because of a mental or physical incapacity.

The Secretary of Budget and Management administers the State plan and specifies the types of benefit options included in the State plan as well as the types or categories of State employees and retirees who are allowed to participate. In general, a participating State employee or retiree may enroll a spouse or dependent child. The enrollment of dependent children is limited by specified factors including age and marital status of the child, legal guardianship, college enrollment status, or disability.

Background: Young adults, ages 19 – 29, have the highest risk of being uninsured in Maryland, primarily because they are the least likely to have access to employer-sponsored health insurance coverage. In 2003, 30% of individuals in this age group did not have health insurance coverage.

State Fiscal Effect: To the extent State plan enrollees continue to cover eligible children, expenditures could increase by a potentially significant amount. The State plan has both self-funded and fully-insured plans. Enrollees in the fully-insured plans would have the option of maintaining enrollment for their eligible adult children. There are insufficient data at this time to reliably estimate how many children could continue coverage. There are about 17,000 employees and retirees enrolled in HMOs which would be affected by the bill. It is unknown how many of these enrollees have coverage for eligible children. For each child that continues enrollment past the limiting age, State expenditures could increase by \$3,540 annually.

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.

Additional Comments: To the extent adult children remain covered under their parents' health insurance policies and avoid becoming uninsured, uncompensated care costs to hospitals and other health care providers could decrease.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Health Insurance Coverage in Maryland, through 2003* (November 2004), Maryland Health Care Commission; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Budget and Management; Department of Legislative Services

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