

**Department of Legislative Services**  
**Maryland General Assembly**  
**2007 Session**

**FISCAL AND POLICY NOTE**

House Bill 1052 (Delegate Mizeur, *et al.*)

Health and Government Operations

**Health Insurance - Young Adult Coverage Expansion Act**

This bill expands eligibility for the Maryland Children's Health Program (MCHP) premium plan and requires health benefit plans to allow a child to remain on a parent's plan beyond the limiting age of the plan.

The bill takes effect July 1, 2007.

**Fiscal Summary**

**State Effect:** Expenditures for the State employee and retiree health insurance plan could increase by \$3.9 million in FY 2008 (60% general funds, 20% federal funds, 20% special funds). DHMH general fund expenditures could increase by a significant amount beginning in FY 2008 for administrative expenses related to the MCHP expansion. Future years reflect enrollment growth and inflation. No effect on revenues.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	2,363,100	2,575,800	2,807,600	3,060,300	3,335,800
SF Expenditure	787,700	858,600	935,900	1,020,100	1,111,900
FF Expenditure	787,700	858,600	935,900	1,020,100	1,111,900
Net Effect	(\$3,938,500)	(\$4,293,000)	(\$4,679,400)	(\$5,100,500)	(\$5,559,600)

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

### Bill Summary:

*Expansion of MCHP Eligibility:* The bill expands eligibility to individuals between 19 and 29 years of age (inclusive) who have a family income at or below 400% of federal poverty guidelines (FPG). Individuals eligible under the bill must pay an annual family contribution to buy into MCHP at cost, to be determined by the Department of Health and Mental Hygiene (DHMH).

*Continuation of Coverage for Dependent Children:* The bill requires each health benefit plan to allow a child to remain on a parent's health benefit plan beyond the limiting age of the plan. To remain on the plan, a child must have had continuous coverage for at least two years immediately prior to reaching the limiting age. A child is permitted to remain on the policy until the earlier of the date on which:

- the end of the month in which the child turns 25;
- the child accepts coverage under another health benefit plan;
- the child becomes eligible for employer-sponsored coverage other than as a dependent child;
- a parent elects to terminate coverage for the child; or
- a parent terminates coverage.

### Current Law:

*Maryland Children's Health Program:* Eligibility for MCHP currently extends to individuals under the age of 19 with family incomes up to 300% FPG. Children in families with incomes above 200% but at or below 300% FPG are enrolled in the MCHP Premium Plan. These families pay a family contribution toward the cost of the program equal to 2% of the annual income for • a family of two at 200% FPG (about \$548 per year), for families earning up to 250% FPG; or • a family of two at 250% FPG (about \$685 per year), for families earning up to 300% FPG. In 2006, the cost per family for the MCHP premium plan was \$44-\$55 per month. Individuals who have been eligible for employer-sponsored health insurance in the previous six months are ineligible for MCHP.

*Coverage for Dependent Children:* 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. Generally, children are allowed to remain on the policy of a parent until age 19 or until age 23 if the child is a full-time student.

The Secretary of Budget and Management administers the State employee and retiree health insurance plan and specifies the types of benefits as well as the types or categories of State employees and retirees who may participate. 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. State regulations cover dependent children through the end of the year in which they turn age 19. Thereafter, the dependent child may continue coverage through age 23 as long as she/he is a full-time student, or continue coverage indefinitely if certified as disabled.

**Background:** Young adults have one of 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 2004-2005, there were 420,000 Marylanders between 19 and 24 years of age of whom 26.2% (110,000) were uninsured. Of the 350,000 individuals aged 25-29, 28.6% (100,000) were uninsured.

#### **State Fiscal Effect:**

*MCHP Expansion:* DHMH general fund expenditures could increase by a significant amount in fiscal 2008 for administrative expenses related to the MCHP expansion. The exact amount of this increase will depend on the number of individuals that enroll and cannot be reliably estimated at this time. *For illustrative purposes only*, if 52,500 individuals were to enroll (25% of the uninsured individuals aged 19-29 with incomes under 400% FPG), DHMH would need to add at least 15 staff to the MCHP premium program at a cost of more than \$525,000 to determine eligibility and collect premiums. Computer programming changes of approximately \$250,000 would be required to create a new coverage group for this population and actuarial and rate-setting expenditures would increase associated with the expansion.

*Coverage for Dependent Children:* Expenditures for the State employee and retiree health insurance plan could increase by as much as \$3.9 million in fiscal 2008 (60% general funds, 20% federal funds, 20% special funds) to extend coverage to dependents beyond the current limiting age of the State plan (age 19 or age 23 if a full-time student). The information and assumptions used in calculating the estimate are stated below:

- the Department of Budget and Management estimates that 9,966 dependents would be eligible to remain on the plan in fiscal 2008;
- approximately 75% of eligible individuals (7,475) would gain coverage elsewhere (*i.e.*, marriage or employment);

- 2,492 individuals would remain on the plan at a total annual cost of \$1,976 per individual; and
- the State would pay 80% of the cost (\$1,581) for each individual, while employees would pay 20% of the cost (\$395).

Future year expenditures reflect 9% inflation.

Potential minimal special fund revenue increase for Maryland Insurance Administration from the \$125 rate and form filing fee in fiscal 2008. Additional resources may be required to review forms and ensure compliance with the mandate, depending on the volume of forms received for review.

**Exhibit 1** displays the 2007 FPG by family size for 400% FPG.

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**Exhibit 1**  
**2007 Federal Poverty Guidelines**

<u>Family Size</u>	<u>400% FPG</u>
1	\$40,840
2	\$54,760
3	\$68,680
4	\$82,600

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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