

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 474
Finance

(Senator Pinsky, *et al.*)

Maryland Universal Health Care Plan

This bill establishes the Maryland Universal Health Care Plan (MUHCP) to provide universal health care coverage for all State residents.

The provisions establishing MUHCP and the Universal Health Care Trust Fund take effect July 1, 2009. Uncodified sections take effect October 1, 2007.

Fiscal Summary

State Effect: Potentially significant expenditure reductions for the Department of Health and Mental Hygiene (DHMH), the Maryland Insurance Administration (MIA), and the State Employee and Retiree Health and Welfare Benefits Plan (State plan) beginning in FY 2008. Significant expenditures and revenues for the MUHCP trust fund beginning in FY 2008. Significant reduction in uncompensated health care in Maryland.

Local Effect: Potentially significant reduction in local health department expenditures as well as local jurisdiction employee benefit expenditures.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Each State resident is a member of MUHCP and is eligible to receive benefits for services covered under the plan. A health insurer, nonprofit health service plan, or HMO may offer benefits that do not duplicate services covered by MUHCP.

The bill creates a State Board of Governors of MUHCP and specifies membership and term provisions. The board must administer, implement, and monitor the operation of MUHCP, establish a global budget for the total amount that may be expended to provide health care, set rates for nonhospital outpatient services, and administer the MUHCP trust fund. Other board responsibilities include establishing certain health care delivery systems and benefit packages, advertising MUHCP, establishing a complaint resolution process, and studying and preparing a variety of reports.

The trust fund consists of: (1) money attributable to State and federal financial participation in the Medicaid program, except money expended for nursing home services, and Medicare, transferred to the fund; (2) money from other federal programs that provide federal funds for the payment of health care services; (3) State and local government funds appropriated for health care services and benefits; and (4) investment income and monies from any other source.

The bill specifies payments for hospital services, nonhospital services, and states a health care provider group may elect to be reimbursed on a capitated basis rather than a fee-for-service basis.

DHMH must apply by October 1, 2008 for federal waivers to permit the State to deposit all federal payments under State health care programs into the MUHCP trust fund. By October 1, 2008, the board of governors must seek an extension of the Medicare waiver to permit Medicare to share equally in the costs of bad debt and charity care provided to State residents in the inpatient sector. The board must report to the Governor and the General Assembly by October 1, 2008 on any changes to State laws that would be necessary to most effectively carry out the bill's provisions.

Current Law: There is no universal health care delivery system. The State provides comprehensive health care coverage through the Medicaid and the Maryland Children's Health Program (MCHP) to eligible individuals. The State also has a Maryland Primary Adult Care Program (MPAC) and a variety of pharmacy assistance programs that provide some assistance to lower-income individuals. The State provides comprehensive health care coverage to State employees, retirees, and their eligible dependents through the State Employee and Retiree Health and Welfare Benefit Plan (State plan).

An adult may qualify for Medicaid if the adult is: (1) aged, blind, or disabled; (2) in a family where one parent is absent, disabled, unemployed, or underemployed; or (3) a pregnant woman. Adults must also have very low incomes to qualify for Medicaid (about 46% Federal Poverty Guidelines (FPG)). MCHP covers children with family incomes up to 300% FPG and pregnant women with incomes up to 250% FPG. MPAC provides primary care, pharmacy, and outpatient mental health benefits to individuals

aged 19 and over with incomes up to 116% FPG. MPAC does not cover inpatient hospital, emergency room, or specialty care services.

Background: In 2004, Maryland residents spent \$28.8 billion for health care services, averaging \$5,179 per person. Total health care spending increased 7.0% from 2003 to 2004, but health care spending per capita increased more slowly – by 6.0% – as the State population increased.

Nearly one-third of Maryland's health care dollars were spent on hospital care (approximately \$9.6 billion in 2004). Inpatient hospital care accounts for 24% (\$6.9 billion) of total health care dollars spent; outpatient hospital care accounted for 9% (\$2.6 billion). Physician and other professional services accounted for another one-third of health care spending. Approximately 17% of health care spending (\$4.9 billion) was for physician services. Spending for other professional services accounted for 14% (\$4.1 billion). Spending for outpatient prescription drugs was 14% of total health care spending, totaling \$4.0 billion. The administrative costs of health insurance accounted for 8% of total health care spending.

Medicare (covers seniors and specified individuals with disabilities) is the largest government source of payment for health care in Maryland. In 2004, Medicare accounted for 20% of total health care spending. Medicaid (covers specified low-income individuals) accounted for 18% of the total expenditures for health care in the State. Private insurance arrangements, including commercial insurance, HMOs, and self-funded employer health plans accounted for 39% of health care spending. Marylanders paid 19% of the cost of health care – \$5.4 billion – out of pocket. The remainder was covered by various other small government programs.

State Fiscal Effect: There are insufficient data at this time to reliably estimate the potential impact to the State. The bill calls for most public health programs to be abolished and replaced with MUHCP. Such a transfer of health care delivery and payment provisions would take a significant amount of time and planning and would in all likelihood be phased in over time. DHMH expenditures for Medicaid and other public health programs would decrease significantly as covered populations are transferred into MUHCP. In addition, Maryland Health Insurance Plan (MHIP) and Senior Prescription Drug Program (SPDP) expenditures would also decrease. As a point of reference, the following programs are projected to spend \$4.3 billion in fiscal 2008.

<u>Public Health Program</u>	<u>Department</u>	<u>Fiscal 2008 Budget Allowance</u>
Medicaid (not including nursing home care)	DHMH	\$3.9 billion
Community Health Administration	DHMH	\$18.7 million
Family Health Administration	DHMH	\$186.0 million
MHIP and SPDP	MIA	\$98.9 million
Local Health Departments	DHMH/Local Govt.	<u>\$71.1 million</u>
Total		\$4.3 billion

Depending on the health benefit package developed by the board of governors, additional public health funds could be transferred to the trust fund as well, including funds appropriated under the AIDS Administration, the Alcohol and Drug Abuse Administration, the Mental Hygiene Administration, and the Developmental Disabilities Administration.

Additionally, State plan expenditures would decrease significantly. The State plan, which provides comprehensive health benefits coverage to State employees and retirees, would be cut back significantly, providing only benefits such as term life insurance. The Governors proposed fiscal 2008 budget includes \$674.8 million for the plan. An additional \$160.0 to \$200.0 million would also be spent from a nonbudgeted fund.

Small Business Effect: Small business employers could benefit from significant expenditure reductions for employee health insurance. Small business health care providers could either experience increased or decreased reimbursements, depending on the rates set by the board of governors for nonhospital outpatient services.

Additional Information

Prior Introductions: Two identical bills, SB 410 and HB 1152, were introduced in 2006. No action was taken on SB 410. HB 1152 received an unfavorable report from the House Health and Government Operations Committee.

Cross File: None.

Information Source(s): *State Health Care Expenditures 2004* (January 2006), Maryland Health Care Commission; Department of Human Resources; Department of Health and Mental Hygiene (Medicaid); Department of Budget and Management; Maryland Insurance Administration; Department of Legislative Services

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