

Department of Legislative Services  
 Maryland General Assembly  
 2007 Session

FISCAL AND POLICY NOTE

House Bill 997 (Delegate Valderrama, *et al.*)  
 Health and Government Operations

Maryland Children's Health Program - Expansion of Eligibility

This bill expands eligibility for the Maryland Children’s Health Program (MCHP) premium plan to individuals whose family income is 400% of federal poverty guidelines (FPG). The bill removes the current requirement that families contribute an annual premium of 2% of annual income and requires the Department of Health and Mental Hygiene (DHMH) to determine an annual family contribution that is reasonable, based on family income, and encourages enrollment of all eligible individuals.

The bill takes effect July 1, 2007.

Fiscal Summary

**State Effect:** DHMH expenditures could increase by \$1.9 million (50% general funds, 50% federal funds) in FY 2008. 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	984,600	1,057,600	1,132,000	1,207,900	1,285,400
FF Expenditure	984,600	1,057,600	1,132,000	1,207,900	1,285,400
Net Effect	(\$1,969,200)	(\$2,115,200)	(\$2,264,000)	(\$2,415,800)	(\$2,570,800)

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** Uncodified language requires DHMH, by July 1, 2008, to report on the number of individuals who have enrolled in MCHP with an annual household income between 300% and 400% of FPG and the effect of the department's determination of the amount of the annual family contribution on the enrollment of eligible individuals.

**Current Law:** 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: (1) a family of two at 200% FPG (about \$548 per year), for families earning up to 250% FPG; or (2) 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.

**Background:** In 2004-2005, there were approximately 190,000 Maryland children in families with incomes between 301% and 400% FPG. About 160,000 (84%) of these children have private health insurance, while about 10,000 are uninsured.

State MCHP expenditures will exceed available federal revenues in fiscal 2007. As a result, the federal match on the remaining expenses will decrease. The MCHP premium population is not eligible for a federal match, meaning the State will have to pay the full cost for these children once the MCHP block grant is exhausted.

**State Fiscal Effect:** DHMH expenditures could increase by \$1.9 million (50% general funds, 50% federal funds) in fiscal 2008 to expand eligibility for the MCHP premium plan to 400% FPG, which accounts for the bills July 1, 2007 effective date. The information and assumptions used in calculating the estimate are stated below:

- in 2008, approximately 5,871 uninsured Maryland children are in families with incomes between 301% and 400% FPG;
- 1,761 uninsured children (30%) will enroll in the MCHP premium plan;
- each newly enrolled child will have a total annual cost of \$1,907;
- the family of each newly enrolled child will pay an average annual family contribution of \$890;
- the federal match on these expenditures will be 50% rather than 65% as the State will exhaust its federal MCHP block grant by the end of fiscal 2007; and

- DHMH will incur the following personnel expenses for four new full-time positions because existing resources are inadequate to handle an additional 1,761 enrollees annually.

Salaries and Fringe Benefits	\$161,503
Other Operating Expenses	<u>16,418</u>
<b>Total</b>	<b>\$177,921</b>

This estimate does not anticipate “crowd out” from families dropping private health insurance and enrolling their children in the MCHP premium plan as a child who has been eligible for employer-sponsored health insurance in the previous six months is ineligible for MCHP. To the extent that “crowd out” occurs in future years and additional children enroll in the program, the cost to the State will increase. Experience with the MCHP premium plan for families with incomes between 200% and 300% FPG suggests that “crowd out” will be minimal. The premium plan has been available since 2000 and current enrollment is only 11,000.

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; (3) 2% annual increases in enrollment; and (4) 6.5% inflation.

**Additional Comments:** The Health Services Cost Review Commission indicates that expansion of MCHP to 1,761 previously uninsured children could result in as much as \$573,000 in reduced hospital uncompensated care by fiscal 2010. This savings could be used to fund expansion of health insurance coverage or reduce hospital rates, which in turn reduces the cost of health insurance for all payors.

**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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Analysis by: Jennifer B. Chasse

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510