

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 137

(Senator Middleton, *et al.*)

Finance

**State Employee and Retiree Health and Welfare Benefits Program - Eligibility
for Enrollment and Participation**

This bill allows active employees of the Southern Maryland, Eastern Shore, and Western Maryland Regional Libraries to participate in the State Employee and Retiree Health and Welfare Benefits Program, with the approval of their respective employers. Each regional library determines the extent to which it will subsidize its employees' participation in the program and is responsible for paying the State all costs resulting from its employees' participation in the program. The bill does not provide health insurance coverage for current or future retirees of the three regional library systems.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: None. Regional libraries that opt to allow their employees to participate in the State program will bear the full cost of their employees' participation, subject to any cost-sharing with employees.

Local Effect: No effect on total revenues or expenditures for the regional libraries, but their FY 2008 expenditures on employee health insurance could increase or decrease, depending on participation rates and the level of employee cost-sharing. Any cost reductions would be applied to other library functions, while any cost increases would result in service reductions.

Small Business Effect: None.

Analysis

Current Law: In general, only State employees and their dependents may enroll and participate in the health insurance benefit options established under the State Employee and Retiree Health and Welfare Benefits Program. However, employees of the following organizations may participate in the State health insurance benefit program, subject to the approval of their employers:

- county and municipal governments;
- Maryland Environmental Service;
- Northeast Maryland Waste Disposal Authority;
- not-for-profit organizations that receive more than one-third of their operating expenses from the Department of Health and Mental Hygiene;
- Legal Aid Bureau;
- Tri-County Council for Southern Maryland;
- Tri-County Council for Western Maryland;
- Tri-County Council for the Lower Eastern Shore of Maryland; and
- Mid-Shore Regional Council.

In each case, the employers are responsible for determining the extent to which they will subsidize their employees' participation and for paying all costs to the State.

The State subsidizes 80% of the health insurance premiums for all State employees.

Local Expenditures: All three regional libraries currently purchase health insurance for their employees. Eastern Shore and Southern Maryland both purchase coverage from a health maintenance organization (HMO) in the small group market, while Western Maryland participates in the Washington County employee health plan and expects to continue participating in that plan. However, administrators of the Eastern Shore and Southern Maryland libraries anticipate that premiums for the State employee health plan may be considerably less than those available in the small group market. If so, their expenditures on health insurance could decrease by opting into the State employees' health plan. Any savings would be available to fund other library services.

Expenditures on health insurance could increase, however, if more employees elect to participate in the State plan. Some regional library employees do not participate in the HMO plans provided by the libraries because they obtain insurance through their spouses. However, if benefits under the State plan are better than their current HMO benefits, participation rates could rise, thereby increasing the libraries' costs for health

insurance. The libraries have the option of passing on increased costs through employee cost-sharing. If they do not, their expenditures on health insurance could increase, drawing funds from other library services.

Together, the three regional libraries have a total of 38 full-time employees eligible for health insurance coverage under this bill. The average unsubsidized cost per participant in the State health insurance program is approximately \$13,300.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland State Department of Education, Department of Budget and Management, Eastern Shore Regional Library, Western Maryland Regional Library, Southern Maryland Regional Library, Department of Legislative Services

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