

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

**FISCAL AND POLICY NOTE**

Senate Bill 547  
 Finance

(Senator McFadden, *et al.*)

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**Maryland Medical Assistance Program and Maryland Children's Health  
 Program - Eligibility**

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This bill expands Medicaid coverage to parents who have a dependent child living with them and whose annual household income is up to 200% of federal poverty guidelines (FPG). The bill requires the Department of Health and Mental Hygiene (DHMH) to provide guaranteed eligibility for Medicaid enrollees under the age of 19 for up to six months, unless the enrollee obtains health insurance.

The bill authorizes DHMH to provide guaranteed eligibility for up to 12 months.

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**Fiscal Summary**

**State Effect:** Expenditures could increase by \$216.4 million (50% general funds, 50% federal funds) in FY 2008, including \$193.9 million to expand eligibility for parents and \$22.6 million to provide guaranteed eligibility for children. Future years reflect annualization, 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	108,214,400	158,483,400	174,306,700	191,623,900	210,558,000
FF Expenditure	108,214,400	158,483,400	174,306,700	191,623,900	210,558,000
Net Effect	(\$216,428,800)	(\$316,966,800)	(\$348,613,400)	(\$383,247,800)	(\$421,116,000)

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

**Local Effect:** None.

**Small Business Effect:** None.

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## **Analysis**

**Current Law:** 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% FPG). The Maryland Children's Health Program (MCHP) covers children with family incomes up to 300% FPG and pregnant women with incomes up to 250% FPG. The Maryland Primary Adult Care Program (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.

DHMH may, but is not required to, provide guaranteed eligibility for Medicaid enrollees for up to six months, unless the enrollee obtains health insurance.

**Background:** The Kaiser Commission on Medicaid and the Uninsured reports that the national median income threshold for parents applying for Medicaid is 42% FPG for nonworking parents and 65% FPG for working parents, while income thresholds in Maryland are 31% FPG and 38% FPG, respectively.

Prior to fiscal 2005, DHMH provided six months of guaranteed eligibility to children in the Medicaid and MCHP. Guaranteed eligibility was terminated as part of DHMH cost-containment measures in fiscal 2005.

### **State Expenditures:**

*Medicaid Expansion to Parents:* Medicaid expenditures could increase by \$216,428,852 (50% general funds, 50% federal funds) in fiscal 2008 to expand Medicaid coverage to parents with annual household incomes up to 200% FPG, which reflects the bill's October 1, 2007 effective date. The information and assumptions used in calculating the estimate are stated below:

- an estimated 319,916 Marylanders with incomes up to 200% FPG will be uninsured in 2008, of whom 70,928 are parents;
- 42,557 or 60% of uninsured parents will enroll in Medicaid;
- 9,635 parents and 19,245 children (already eligible for Medicaid) will drop their private health insurance and enroll in Medicaid ("crowd-out effect");

- 75% of newly enrolled parents will have an annual cost of \$4,775;
- 25% of newly enrolled parents will have an annual cost of \$6,197;
- 14,135 children, already eligible for Medicaid, will enroll (“woodwork effect”) at an annual cost of \$1,907 per child;
- 7,171 individuals in MPAC program (one-third of enrollees) are parents and will enroll in Medicaid, but are already included in the numbers of new parent enrollees;
- expenditures would be offset by savings of \$18.5 million, one-third of the Governor’s proposed fiscal 2008 budget for MPAC;
- DHMH will incur \$246,624 in expenditures for Medicaid enrollment broker services for the 85,572 new enrollees; and
- DHMH will incur the following personnel expenses for four new full-time positions to conduct training for education, outreach, and enrollment.

Salaries and Fringe Benefits	\$164,182
Other Operating Expenses	<u>25,024</u>
<b>Total</b>	<b>\$189,206</b>

Future year expenditures reflect: (1) annualization; (2) 4.5% annual salary increases and 3% employee turnover; (3) 1% annual increases in ongoing operating expenses; (4) 2% annual increases in enrollment; and (5) 6.5% inflation.

Additionally, administrative expenditures for the Department of Human Resources are anticipated to increase by approximately \$2,934,564 in fiscal 2008 to for 75 new full-time equivalent staff to conduct Medicaid eligibility determination at local departments of human services for an estimated 33,380 new cases.

Salaries and Fringe Benefits	\$2,495,126
Other Operating Expenses	<u>439,439</u>
<b>Total</b>	<b>\$2,934,564</b>

Future year expenditures reflect: (1) annualization; (2) 4.5% annual salary increases and 3% employee turnover; and (3) 1% annual increases in ongoing operating expenses.

*Guaranteed Eligibility:* Medicaid expenditures could increase by \$22,567,705 (50% general funds, 50% federal funds) in fiscal 2008 to provide six months of guaranteed eligibility to Medicaid enrollees under the age of 19, which reflects the

October 1, 2007 effective date. This estimate is based on providing six months of coverage at a cost of \$159 per month per child to children who currently enroll in the program for between one and five months only. Legislative Services notes that this estimate is substantially higher than the estimate provided by DHMH in 2005, which estimated an annual cost of \$4.4 million (50% general funds, 50% federal funds). DHMH indicates that this estimate grossly underestimated the number of children that enroll in the program for less than six months and asserts that the higher figure more accurately reflects the estimated cost to the department.

Future year expenditures reflect: (1) annualization; and (2) 6.5% inflation.

**Additional Comments:** The Health Services Cost Review Commission indicates that expansion of Medicaid to 56,692 previously uninsured individuals could result in as much as \$76.9 million in reduced hospital uncompensated care by fiscal 2010. Savings could be as much as \$25.4 million in fiscal 2008 and \$57.7 million in fiscal 2009. 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 projected number of individuals who would gain access to health insurance under the bill, the corresponding proportion of uninsured, and the anticipated number of individuals who would enroll in available insurance options.

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**Exhibit 1**  
**Projected Access and Enrollment**  
**Expansion of Medicaid Eligibility to 116% FPG**

Access Expanded To	70,928 parents
Percentage of Uninsured	8.8%
New Enrollees	42,557 parents 14,135 children (“woodwork” effect)
Crowd-out Enrollees	19,245 children 9,635 parents
Total Enrollees	52,192 parents 33,380 children

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**Exhibit 2** displays the 2007 FPG by family size for 200% FPG.

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**Exhibit 2**  
**2007 Federal Poverty Guidelines**

<u>Family Size</u>	<u>200% FPG</u>
1	\$20,420
2	\$27,380
3	\$34,340
4	\$41,300

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**Additional Information**

**Prior Introductions:** HB 53 of 2005 included a provision to reinstate guaranteed eligibility for children in Medicaid and MCHP. No action was taken on the bill.

**Cross File:** None.

**Information Source(s):** *Health Insurance Coverage in Maryland Through 2005*, Maryland Health Care Commission, January 2007; *Resuming the Path to Health Coverage for Children and Parents: A 50 State Update on Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and SCHIP in 2006*, Kaiser Commission on Medicaid and the Uninsured, January 2007; Department of Health and Mental Hygiene (Medicaid); Department of Legislative Services

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