SB 26

Department of Legislative Services

Maryland General Assembly
2007 Special Session

FISCAL AND POLICY NOTE

Senate Bill 26 (Senator Mooney)
Finance

Maryland Children's Health Program - Limitation of Eligibility

This bill ● repeals eligibility for the Maryland Children's Health Program (MCHP) and annual family contribution requirements for children with family incomes between 200% and 300% of the Federal Poverty Guidelines (FGP); and ● requires the parent or guardian of an eligible child with family incomes between 100% and 200% FPG to pay a specified annual family contribution as a requirement of enrollment and participation in MCHP.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: Department of Health and Mental Hygiene (DHMH) expenditures could decrease by $5.2 million (65% federal funds, 35% general funds) in FY 2008, due to the bill's June 1, 2008 effective date, and $70.9 million (65% federal funds, 35% general funds) in FY 2009 from a decline in MCHP enrollment. DHMH revenues could increase by $132,100 (65% federal funds, 35% general funds) in FY 2008 and $2.1 million (65% federal funds, 35% general funds) in FY 2009 from the bill's alterations to the annual family contribution requirement.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	$46,200	$735,000	$959,000	$1,215,800	$1,509,800
FF Revenue	85,900	1,365,100	1,780,900	2,257,900	2,803,900
GF Expenditure	(1,834,800)	(24,824,000)	(28,003,100)	(31,600,100)	(35,671,000)
FF Expenditure	(3,407,500)	(46,101,700)	(52,005,800)	(58,685,900)	(66,246,100)
Net Effect	$5,374,400	$73,025,800	$82,748,800	$93,759,700	$106,230,800

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

Local Effect: To the extent that children previously insured under MCHP seek care at local health department clinics, local expenditures could increase under the bill.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires that families with incomes above 100% but below 150% FPG pay an annual family contribution equal to 2% of annual income for a family of two at 100% FPG (about $274 per year). The bill also requires families with incomes above 150% but below 200% FPG to pay an annual family contribution equal to 2% of annual income for a family of two at 150% FPG (about $411 per year).

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. Of these families, those with incomes between 200% and 250% FPG pay an annual family contribution equal to about $548 per year (2% of annual income for a family of two at 200% FPG), while families with incomes between 250% and 300% FPG pay about $685 per year (2% of annual income for a family of two at 250% FPG). Individuals who have been eligible for employer-sponsored health insurance in the previous six months are ineligible for MCHP.

Federal law prohibits states from implementing premiums for individuals with incomes below 150% FPG, as required under the bill.

Background: Maryland has one of the lowest State Children's Health Insurance Program (SCHIP) eligibility thresholds in the country. As of 2006, only five states, including Maryland, cover children with family incomes up to 300% FPG in their SCHIP programs. Twenty-one states cover children with incomes up to 200% FPG, five states cover children with incomes above 200% but below 250% FPG, and four states have eligibility levels below 200% FPG.

State Fiscal Effect: DHMH expenditures could decrease by $5.2 million (65% federal funds, 35% general funds) in fiscal 2008, accounting for the bill's June 1, 2008 effective date. Savings accrue from the disenrollment of 32,988 children currently enrolled in MCHP including:

- 100% of children with family incomes between 200% and 300% FPG (13,317 children) who would no longer be eligible for MCHP; and
- an estimated 40% of children with family incomes between 150% and 200% FPG (19,671 children) who would drop enrollment due to the new annual family contribution requirement.

DHMH revenues could increase by a net of $132,130 in fiscal 2008 due to the loss of approximately 6,530 families currently paying an annual family contribution of between $548 and $685 offset by an estimated 14,469 new families paying an annual family contribution of $411.

In fiscal 2009, the first full year under the bill, DHMH expenditures could decline by $70.9 million (65% federal funds, 35% general funds) due to decreased MCHP enrollment. DHMH net revenues from the annual family contribution could be $2.1 million (65% federal/35% general), reflecting a projected loss of $4.6 million in revenues from the current annual family contribution offset by new annual family contribution revenues of $6.7 million.

Future year estimates reflect ● 6% medical inflation; ● 4% enrollment growth in MCHP; and ● an estimated 4% annual increase in FPG.

Additional Comments: To the extent that children with family incomes between 200% and 300% previously covered by MCHP or children with family incomes between 150% and 200% who disenroll from MCHP due to the annual family contribution requirement do not obtain other coverage, uncompensated care in the State is expected to increase.

Exhibit 1 displays 2007 FPG associated with the provisions of the bill.

Exhibit 1
2007 Federal Poverty Guidelines

Family Size	100% FPG	150% FPG	200% FPG	300% FPG
2	$13,690	$20,535	$27,380	$41,070
3	$17,170	$25,755	$34,340	$51,510
4	$20,650	$30,975	$41,300	$61,950

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Kaiser Family Foundation, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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ncs/jr

Analysis by: Jennifer B. Chasse

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