**HB 603**

# Department of Legislative Services

Maryland General Assembly
2008 Session

## FISCAL AND POLICY NOTE

House Bill 603 (Delegate Pena-Melnyk, *et al.*)
Health and Government Operations and Appropriations

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**Health Care Coverage - Institutions of Higher Education**

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This bill • mandates health insurance coverage for all full-time students at Maryland institutions of higher education; • requires such institutions to offer health insurance coverage to enrolled students; and • requires that health insurance coverage be considered in the calculation of student financial aid.

The requirements of the bill must be implemented beginning in the fall 2009 semester.

## Fiscal Summary

**State Effect:** Higher education revenues could increase beginning in FY 2010 from the collection of health insurance coverage fees from students. Maryland Higher Education Commission general fund administrative expenditures could increase by $55,400 in FY 2009. Higher education expenditures could also increase beginning in FY 2009 to implement the health insurance coverage requirement.

| (in dollars) | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---|---|---|---|---|---|
| Higher Ed Rev. | $0 | - | - | - | - |
| GF Expenditure | 55,400 | 69,200 | 72,700 | 76,300 | 80,100 |
| Higher Ed Exp. | - | - | - | - | - |
| Net Effect | ($55,400) | ($69,200) | ($72,700) | ($76,300) | ($80,100) |

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** Institutions of higher education must • require all full-time students to maintain health care coverage throughout their enrollment and present evidence of health care coverage at least annually; • offer health insurance for purchase, for an additional fee to be paid with tuition, by students enrolled in the institution; and • consider health care coverage as an educational cost for the purpose of determining financial aid eligibility. MHEC has to adopt regulations to implement the bill. Health insurance coverage must be creditable coverage.

**Current Law:** Generally, children are allowed to remain on the policy of a parent until age 19 or until age 23 if the child is a full-time student. Chapter 639 of 2007 requires insurers, nonprofit health service plans, and HMOs to allow a child dependent to remain on an insured's plan until age 25. A "child dependent" means a child, stepchild, adopted child, grandchild, child placed for legal adoption, or other child entitled to dependent coverage that is younger than 25, unmarried, and meets the definition of a dependent under federal law and regulation.

**Background:** Young adults ages 19-34 comprise 41% of Maryland's nonelderly uninsured, which is disproportionately high given that they account for only 23% of nonelderly Maryland residents.

The American College Health Association recommends that all colleges and universities require students to provide evidence of health insurance coverage as a condition of enrollment. Most private colleges and universities require health insurance and many larger public institutions have such mandates including California, Colorado, Connecticut, Illinois, New Jersey, New York, Washington, and Virginia. The University of Maryland, Baltimore currently requires all students to purchase health insurance or provide proof of comparable coverage. Morgan State University provides student health insurance to all full-time undergraduate students through their student fees.

**State Revenues:** Higher education revenues could increase for institutions of higher education in fiscal 2010, which reflects implementation of the bill's requirements beginning in the fall 2009 semester. Revenues would accrue from the collection of health insurance coverage fees from students. The amount of these revenues will depend on the number of students that seek coverage and the fees charged. This amount cannot be reliably estimated at this time but is anticipated to be significant.

**State Expenditures:** MHEC general fund expenditures could increase by $55,446 in fiscal 2009, which accounts for the bill's October 1, 2008 effective date. This estimate reflects the cost of hiring one full-time staff specialist with expertise in health insurance to implement, track, and monitor the health insurance coverage requirement. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

| | |
|---|---|
| Position | 1 |
| Salary and Fringe Benefits | $50,628 |
| Other Operating Expenses | 4,818 |
| **Total FY 2009 State Expenditures** | **$55,446** |

Future year expenditures reflect • a full salary with 4.4% annual increases and 3.0% employee turnover; and • 2% annual increases in ongoing operating expenses.

Higher education expenditures could increase in fiscal 2009 for increased administrative costs at some Maryland institutions of higher education, including computer reprogramming and the hiring of temporary contractual staff to assist with the collection of health insurance coverage information. Some institutions of higher education may also incur increased expenditures for the operation of their student health centers to the extent that those resources are used to provide coverage to students. The amount of these increases cannot be reliably estimated at this time but are anticipated to be significant.

**Additional Comments:** While the cost of health insurance must be included for financial aid purposes under the bill, many students are already receiving the maximum amount of financial aid and therefore would not qualify for any additional aid.

## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** American College Health Association, Maryland Independent College and University Association, St. Mary's College, Morgan State University, Department of Health and Mental Hygiene, Maryland Insurance Administration, University System of Maryland, Maryland Higher Education Commission, Department of Legislative Services

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