

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1125 (Delegate Montgomery, *et al.*)
Health and Government Operations

Maryland Universal Health Care Plan

This bill establishes the Maryland Universal Health Care Plan to provide universal health care coverage for all State residents.

The provisions establishing the plan and the Universal Health Care Trust Fund take effect July 1, 2010. The Board of Governors of the plan is established and the uncodified sections of the bill take effect October 1, 2008.

Fiscal Summary

State Effect: Potentially significant expenditure reductions for the Department of Health and Mental Hygiene, the Maryland Insurance Administration, and the State Employee and Retiree Health and Welfare Benefits Plan (State plan) beginning in FY 2011. Significant expenditures and revenues for the trust fund beginning in FY 2011. Significant reduction in uncompensated health care in Maryland.

Local Effect: Potentially significant reduction in local health department expenditures as well as local jurisdiction employee benefit expenditures.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Each State resident is a member of the plan and is eligible to receive benefits for services covered under the plan. A health insurer, nonprofit health service plan, or HMO may offer benefits that do not duplicate services covered by the plan.

The bill creates a State Board of Governors and specifies membership and term provisions. The board must administer, implement, and monitor the operation of the plan, establish a global budget for the total amount that may be expended to provide health care, set rates for nonhospital outpatient services, and administer the trust fund. Other board responsibilities include establishing certain health care delivery systems and benefit packages, advertising the plan, establishing a complaint resolution process, and studying and preparing a variety of reports.

The trust fund consists of • money attributable to State and federal financial participation in the Medicaid program, except money expended for nursing home services, and Medicare, transferred to the fund; • money from other federal programs that provide federal funds for the payment of health care services; • State and local government funds appropriated for health care services and benefits; and • investment income and monies from any other source.

The bill specifies payments for hospital services, nonhospital services, and states a health care provider group may elect to be reimbursed on a capitated basis rather than a fee-for-service basis.

DHMH must apply by October 1, 2009 for federal waivers to permit the State to deposit all federal payments under State health care programs into the trust fund. By October 1, 2009, the Board of Governors must seek an extension of the Medicare waiver to permit Medicare to share equally in the costs of bad debt and charity care provided to State residents in the inpatient sector. The board must report to the Governor and the General Assembly by October 1, 2009 on any changes to State laws that would be necessary to most effectively carry out the bill's provisions.

Current Law: There is no universal health care delivery system. The State provides comprehensive health care coverage through the Medicaid and the Maryland Children's Health Program to eligible individuals. The State also has a variety of pharmacy assistance programs that provide assist lower-income individuals. The State provides comprehensive health care coverage to State employees, retirees, and their eligible dependents through the State plan.

An adult may qualify for Medicaid if the adult is • aged, blind, or disabled; • in a family where one parent is absent, disabled, unemployed, or underemployed; or • a pregnant woman. Adults must also have very low incomes to qualify for Medicaid. MCHP covers children with family incomes up to 300% of federal poverty guidelines and pregnant women with incomes up to 250% FPG.

Background: In 2006, Maryland residents spent \$32.7 billion for health care services, averaging \$5,823 per person. Total health care spending increased 8% from 2005 to 2006, but health care spending per capita increased more slowly – by 7%.

Nearly one-third of Maryland’s health care dollars were spent on hospital care (approximately \$10.3 billion in 2006). Inpatient hospital care accounted for 23% (\$7.5 billion) of total health care dollars spent; outpatient hospital care accounted for 8% (\$2.7 billion). Physician and other professional services accounted for another 31% of health care spending. Approximately 17% of health care spending (\$5.6 billion) was for physician services. Spending for other professional services accounted for 14% (\$4.6 billion). Spending for outpatient prescription drugs was 15% of total health care spending, totaling \$5.0 billion. The administrative costs of health insurance accounted for 9% of total health care spending (\$2.9 billion).

Medicare (which covers seniors and specified individuals with disabilities) is the largest government source of payment for health care in Maryland. In 2006, Medicare accounted for 22% of total health care spending. Medicaid (which covers specified low-income individuals) accounted for 17% of the total expenditures for health care in the State. Private insurance arrangements, including commercial insurance, HMOs, and self-funded employer health plans accounted for 40% of health care spending. Marylanders paid 16% of the cost of health care – \$5.4 billion – out of pocket. The remainder was covered by various other small government programs.

State Fiscal Effect: There are insufficient data at this time to reliably estimate the potential impact to the State. The bill calls for most public health programs to be abolished and replaced with the plan. Such a transfer of health care delivery and payment provisions would take a significant amount of time and planning and would in all likelihood be phased in over time. DHMH expenditures for Medicaid and other public health programs would decrease significantly as covered populations are transferred into the plan. In addition, Maryland Health Insurance Plan and Senior Prescription Drug Program expenditures would also decrease. As a point of reference, the following programs are projected to spend approximately \$4.9 billion in fiscal 2009.

| <u>Public Health Program</u> | <u>Department</u> | <u>Fiscal 2009 Proposed Budget</u> |
|--|-------------------|------------------------------------|
| Medicaid (not including nursing home care) | DHMH | \$4.4 billion |
| Community and Family Health Administration | DHMH | \$251.0 million |
| MHIP and SPDP | MIA | \$114.0 million |
| Local Health Departments | DHMH/Local Govt. | <u>\$68.8 million</u> |
| Total | | \$4.9 billion |

Depending on the health benefit package developed by the Board of Governors, additional public health funds could be transferred to the trust fund as well, including funds appropriated under the AIDS Administration, the Alcohol and Drug Abuse Administration, the Mental Hygiene Administration, and the Developmental Disabilities Administration.

Additionally, State plan expenditures would decrease significantly. The State plan, which provides comprehensive health benefits coverage to State employees and retirees, would be cut back significantly, providing only benefits such as term life insurance. For fiscal 2009, the State plan is projected to spend \$1.067 billion on payments to health care providers.

Small Business Effect: Small business employers could benefit from significant expenditure reductions for employee health insurance. Small business health care providers could either experience increased or decreased reimbursements, depending on the rates set by the Board of Governors for nonhospital outpatient services.

Additional Information

Prior Introductions: This bill is identical to HB 400 of 2007 and HB 1152/SB 410 of 2006. HB 400 received no action from the House Health and Government Operations Committee, while HB 1152 received an unfavorable report from the committee. SB 410 was heard by the Senate Finance and Budget and Taxation committees but no further action was taken.

Cross File: None.

Information Source(s): *Experience from 2006 State Health Care Expenditures*, Maryland Health Care Commission, January 2008; Department of Human Resources; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Budget and Management; Department of Legislative Services

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Analysis by: Jennifer B. Chasse

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