

Department of Legislative Services  
 Maryland General Assembly  
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1406 (Delegate Mizeur, *et al.*)  
 Health and Government Operations

Foster Kids Coverage Act

This bill requires the Maryland Medical Assistance Program (Medicaid), subject to the limitations of the State budget and as permitted by federal law, to provide coverage for “independent foster care adolescents” who are not otherwise eligible for Medicaid benefits and whose annual household income is at or below 300% of federal poverty guidelines. Independent foster care adolescents are individuals younger than age 21 who, on their 18th birthday, were in State foster care.

Fiscal Summary

**State Effect:** Medicaid expenditures could increase by \$1.2 million (50% general funds, 50% federal funds) in FY 2009 to extend Medicaid coverage to independent foster care adolescents. Future years reflect annualization, inflation, and cost offsets due to the planned expansion of Medicaid under Chapter 7 of the 2007 special session. No effect on revenues.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	623,000	634,800	413,000	0	0
FF Expenditure	623,000	634,800	413,000	0	0
Net Effect	(\$1,246,000)	(\$1,269,600)	(\$826,000)	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** Minimal to none.

## Analysis

**Current Law:** Youth in State foster care receive medical care through Medicaid. However, this coverage often terminates when the youth turns 18 and leaves the foster care system. Although many youth will continue to qualify for Medicaid or the Maryland Children's Health Insurance Program through their nineteenth birthday. On average, about 350 youth exit or "age out" of the foster care system each year. These youth are eligible for aftercare services until age 21. Local departments of social services make case-by-case assessments and establish service agreements with the youth based on their needs. Services include financial assistance for rent, transportation, or employment uniforms or equipment. Funds can be used to subsidize health insurance coverage for up to six months with subsequent reviews to assess ongoing needs. Youth must comply with the service agreement and maintain regular contact with the local department of social services to receive aftercare services.

The federal Foster Care Independence Act of 1999 and the federal Deficit Reduction Act of 2005 provided opportunities for states to extend Medicaid coverage for youth who have aged out of foster care. The Foster Care Independence Act provides the "Chafee option," a provision that allows states to extend Medicaid eligibility to youth ages 18 to 21 who have aged out of foster care. The DRA provides benefit flexibility that allows states to design a separate benefit package for such youth. Alternatively, states may also extend Medicaid coverage for youth who have aged out of care by other means using state general funds or 1115 waivers.

### **Background:**

*Coverage in Other States:* An October 2006 survey by the American Public Human Services Association indicates that 15 states provide coverage to youth who have aged out of the foster care system under the Chafee option, while 28 states and the District of Columbia use other methods to extend coverage including the medically needy category, 1115 waivers, the State Children's Health Insurance Program, and general assistance based on income and resources.

*Planned Expansion of Medicaid:* Chapter 7 of the 2007 special session expanded Medicaid eligibility for parents, caretaker relatives, and childless adults up to 116% FPG. Full Medicaid benefits will be provided to parents and caretaker relatives beginning July 1, 2009; however, the Department of Health and Mental Hygiene is authorized to cap enrollment and limit the benefit package for childless adults. To the extent funds are provided in the State budget, benefits for childless adults will be phased in as follows:

- in fiscal 2010, specialty medical care and hospital emergency department services;
- in fiscal 2011, outpatient hospital services;
- in fiscal 2012, inpatient hospital services with limits either on benefits or the number of individuals receiving benefits; and
- in fiscal 2013, full Medicaid benefits, with limits either on benefits or the number of individuals receiving benefits.

In fiscal 2010 through 2012, it is the intent of the General Assembly that benefit expansion occur upon attainment of specified combined total general fund and Education Trust Fund revenues as submitted in the Governor's proposed budget.

**State Expenditures:** Medicaid expenditures (50% general funds, 50% federal funds) could increase by an estimated \$1.2 million in fiscal 2009, which accounts for the bill's October 1, 2008 effective date. This estimate reflects the cost of providing Medicaid coverage to independent foster care adolescents. DHMH indicates that no additional personnel or administrative expenses would be required due to the small number of potential enrollees. The information and assumptions used in calculating the estimate are stated below:

- there will be approximately 544 independent foster care adolescents in fiscal 2009;
- some of these individuals are already eligible for Medicaid due to receipt of TANF benefits, pregnancy, or disability;
- all these individuals would be financially eligible for Medicaid or the Primary Adult Care program as national studies indicate that 50% of youth aging out of foster care are unemployed, while 50% have incomes below 100% FPG;
- 70% of these individuals (381) will enroll in Medicaid in fiscal 2009 under the bill; and
- the full-year cost of coverage per individual will be \$4,363 in fiscal 2009.

Future year expenditures reflect: • 1% annual growth in the number of independent foster care adolescents; • 5% annual inflation for the cost of Medicaid coverage; and • cost offsets in fiscal 2010 through 2013 due to the planned expansion of Medicaid under Chapter 7.

In fiscal 2010 and 2011, the value of the benefits expected to be provided to childless adults under the planned expansion is subtracted from the estimated full-year cost of coverage, thereby reducing the cost per individual. In fiscal 2010, the value of specialty medical care and hospital emergency department benefits are removed, while in fiscal 2011, the value of those benefits as well as outpatient hospital services are removed. Beginning in fiscal 2012, Legislative Services assumes that the cost to provide

coverage to independent foster care adolescents will be fully offset by the Medicaid expansion.

To the extent the full Medicaid expansion is not implemented and incremental benefits are not provided to childless adults beginning in fiscal 2010, Medicaid expenditures (50% general funds, 50% federal funds) could be significantly more – an estimated \$1.8 million in total funds in fiscal 2010 rising to \$2.1 million in fiscal 2013.

**Additional Comments:** Exhibit 1 displays 2008 FPG by family size.

---

**Exhibit 1**  
**2008 Federal Poverty Guidelines**

<u>Family Size</u>	<u>300% FPG</u>
1	\$31,200
2	42,000
3	52,800
4	63,600
5	74,400

---

---

**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** American Public Human Services Association, Department of Human Resources, Department of Health and Mental Hygiene, Department of Legislative Services

**Fiscal Note History:** First Reader - March 10, 2008  
mcp/ljm

---

Analysis by: Jennifer B. Chasse

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