

**Department of Legislative Services**  
Maryland General Assembly  
2008 Session

**FISCAL AND POLICY NOTE**

Senate Bill 667

(Senator Colburn)

Finance

**State Employee and Retiree Health and Welfare Benefits Program - Foster  
Parents - Eligibility to Participate**

This bill makes foster parents approved by the Department of Human Resources for at least six months and with at least one foster child in their care eligible for health insurance benefits under the State Employee and Retiree Health and Welfare Benefits Program (State plan). Qualifying foster parents would be eligible to receive the same State subsidy provided to State employees.

The bill takes effect July 1, 2008.

**Fiscal Summary**

**State Effect:** State plan expenditures (60% general funds, 20% federal funds, and 20% special funds) could increase by \$28.8 million beginning in FY 2009 to extend coverage to eligible foster parents and their spouses and/or dependents. Department of Budget and Management general fund expenditures could increase by \$123,200 in FY 2009 to administer the benefits. No effect on revenues. Future years reflect inflation and enrollment growth.

(\$ in millions)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	17.4	18.8	20.3	21.9	23.7
SF Expenditure	5.8	6.2	6.7	7.3	7.8
FF Expenditure	5.8	6.2	6.7	7.3	7.8
Net Effect	(\$28.9)	(\$31.2)	(\$33.7)	(\$36.4)	(\$39.4)

*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:** Current State employees are eligible to enroll and participate in any of the health insurance options established under the State plan. Other individuals eligible to participate are • the surviving spouse of a deceased State employee if they are receiving death benefits or are the sole primary designated beneficiary under an optional retirement program; • the surviving minor children or dependent parents of a State Police officer if they are receiving death benefits; • the surviving minor children of a correctional officer if the officer was a member of the Correctional Officers' Retirement System; and • specified former employees of the Baltimore City jail upon retirement.

A retiree may enroll in the State plan and receive the same health benefits and premium subsidies provided to a State employee if the retiree: • ended State service with at least 10 years of creditable service and within 5 years before the age at which he/she would be eligible to retire; • ended State service with at least 16 years of creditable service; • ended State service on or before June 30, 1984; • retired directly from State service with a State retirement allowance on or after July 1, 1984 and had at least 5 years of creditable service; or • retired directly from State service with a State disability retirement allowance on or after July 1, 1984.

The surviving spouse or dependent child of a deceased retiree may also participate in the State plan as long as the spouse or child receives a regular survivor's pension payment from the State.

Certain other employees are also eligible to enroll in health insurance benefit options under the State plan, but do not receive a State subsidy. These include employees of • the Maryland Environmental Service and Northeast Maryland Waste Disposal Authority (and their surviving spouses); • qualifying not-for-profit organizations; • local governments; • Tri-County Council for Southern Maryland; • Tri-County Council for Western Maryland; • Tri-County Council for the Lower Eastern Shore; • Mid-Shore Regional Council; • Southern Maryland Regional Library; • Eastern Shore Regional Library; and • Western Maryland Regional Library.

**Background:** According to DHR, approximately 3,000 foster parents would be eligible for health insurance benefits under the bill. Foster parents are approved by DHR as individuals rather than as households, so the total number of individuals who could be

covered by health insurance benefits under the bill could be greater and include the spouses and/or dependents of eligible foster parents. Foster children receive health insurance coverage under the Maryland Medicaid Program.

Chapter 400 of 2007 established the Eastern Shore Task Force on Foster Care to make recommendations on improving the recruitment and retention of foster care parents on the Eastern Shore. According to the task force's interim report, systemic supports for foster parents such as childcare, health care, and tax incentives are focal points. The final report is due by December 31, 2008.

According to the National Conference of State Legislatures, many foster parents do not have access to affordable health insurance. Some states allow foster parents to enroll in state-sponsored group health insurance. Connecticut allows foster parents licensed for six months or more and their dependents to purchase coverage under a group plan. Oregon allows foster parents to participate in the health plan available to state employees with the same benefits as eligible state employees. In 2001, Kentucky considered allowing foster parents to purchase health insurance through the public employee health insurance group, but ultimately rejected the option based on concerns that inclusion of foster parents might jeopardize the nontaxable status of plan benefits under federal law.

**State Expenditures:** State plan expenditures (60% general funds, 20% federal funds, and 20% special funds) could increase by \$28.8 million in fiscal 2009. This estimate reflects the cost to provide health insurance benefits to eligible foster parents and their spouses and/or dependents. The information and assumptions used in calculating the estimate are stated below:

- 3,000 individual foster parents would qualify for health insurance benefits;
- 300 of these foster parents (10%) would not elect health insurance benefits due to existing coverage through employment or a spouse or the expense of cost-sharing (approximately 20% of the total cost);
- 2,700 parents (90%) would elect and enroll in health insurance benefits; and
- each enrolled foster parent would cost the State plan approximately \$10,650 per year (the average cost of the State subsidy for medical, dental, and prescription benefits for all State employees).

Future years reflect 7.0% medical inflation and 1% annual growth in the number of eligible foster parents.

DBM general fund expenditures could increase by an estimated \$123,245 in fiscal 2009. This estimate reflects the cost of hiring two full-time positions (one administrator and one administrative officer) to administer the health insurance benefits for the foster parents

and their spouses and/or dependents. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses

Positions	2
Salaries and Fringe Benefits	\$113,895
Operating Expenses	<u>9,350</u>
<b>Total FY 2009 DBM Administrative Expenditures</b>	<b>\$123,245</b>

Future year expenditures reflect • full salaries with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 948 (Delegate Haddaway, *et al.*) – Appropriations.

**Information Source(s):** National Conference of State Legislatures, Department of Budget and Management, Department of Human Resources, Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2008  
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