

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1050

(Chair, Health and Government Operations Committee, *et al.*) (By Request - Departmental - Health Insurance Plan)

Health and Government Operations

Finance

Maryland Health Insurance Plan - Plan Options - Governmental Third Party Payers

This departmental bill authorizes the Board of Directors for the Maryland Health Insurance Plan (MHIP) to establish a plan option for members whose premiums are paid by a governmental unit. The bill also authorizes the board, in setting premium rates and cost-sharing arrangements for this plan option, to include amounts to limit cost shifting from another governmental unit to the plan as long as they are not set at a level that would make it cost prohibitive for the governmental unit. Finally, the bill authorizes the board to limit plan option eligibility and limit or eliminate any premium subsidy based on income for a member whose premiums are paid by a governmental unit.

Fiscal Summary

State Effect: General, special, and federal fund expenditures increase beginning in FY 2011 by an indeterminate amount for programs that currently place individuals in MHIP. Regardless of whether the programs continue to use MHIP, the net impact on MHIP is beneficial either by increasing revenues, decreasing costs, or both.

Local Effect: Local government expenditures increase to the extent that local governments place individuals in MHIP and pay their premiums and cost sharing.

Small Business Effect: MHIP has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law/Background: MHIP is an independent unit of State government, the purpose of which is to decrease uncompensated care costs by providing access to affordable, comprehensive health benefits for medically uninsurable residents. Medical eligibility for the program requires that applicants have been denied individual coverage, have been offered coverage that excludes or limits coverage for a medical condition, or have specific health conditions. Members pay a premium based on age, subscriber type, and type of benefit plan. Individuals with incomes below 300% of federal poverty guidelines (FPG) may receive discounted premiums through MHIP+. MHIP has a current enrollment of 17,658 members and has the capacity for a maximum sustainable enrollment of 17,734 members.

Some MHIP members have premiums paid for by third-party governmental units, including Children's Medical Services, the Maryland AIDS Drug Assistance Program, and some county governments. In addition, the Breast and Cervical Cancer Diagnosis and Treatment Program is in the process of adopting regulations that will allow the program to place individuals in MHIP and pay their premiums. Placing individuals in MHIP and paying their premiums is advantageous for such governmental units because it allows them to shift medical and prescription drug costs to MHIP since it is less expensive to pay MHIP premiums than to pay for the actual medical services and prescription drug costs. MHIP advises that these "shifted members" tend to have substantially higher plan costs compared to average plan members.

MHIP reports that this "shifting" of individuals from other programs is placing a significant strain on its financial resources, and it expects to reach maximum enrollment capacity in the spring of 2010. MHIP advises that, under the bill, governmental units will more fairly share the cost of providing health care to individuals whom they place in MHIP. MHIP further advises that the bill will ensure a more equitable sharing of plan costs between MHIP members who pay their own premiums out-of-pocket and those whose premiums are paid by a third-party governmental unit, reducing the strain on MHIP and consequently the need to take other actions to slow enrollment, such as premium increases, benefit reductions, or an enrollment cap.

MHIP is funded through premium revenues from enrollees and an annual uncompensated care assessment set by the Health Services Cost Review Commission on hospital rates.

State Effect: General, special, and federal fund expenditures increase beginning in fiscal 2011 by an indeterminate amount for programs such as the Maryland AIDS Drug Assistance Program and the Breast and Cervical Cancer Diagnosis and Treatment Program that currently place individuals in MHIP. These programs either pay increased premiums and cost sharing under the bill or pull individuals out of MHIP to serve them in

their respective programs, presumably at a higher cost to the programs. If these programs continue to place individuals they serve in MHIP, special fund revenues for MHIP increase due to the higher premiums that may be imposed on the programs, and special fund expenditures for MHIP decrease due to higher cost sharing for the programs. If the programs instead choose not to use MHIP, special fund revenues and expenditures both decrease for MHIP due to the loss in premium revenues and reduction in higher-cost plan members who are served by the other programs instead.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Howard and Montgomery counties, Department of Budget and Management, Maryland Health Insurance Plan, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - March 10, 2010
ncs/mwc

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Health Insurance Plan – Plan Options – Governmental
Third Party Payers

BILL NUMBER: HB 1050

PREPARED BY: Maryland Health Insurance Plan

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.