SB 181

Department of Legislative Services

Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 181 (Senator Brochin)
Finance

Health Insurance - Child Dependents - Qualifying Age Limit

This bill increases the age limit for an individual to be considered a child dependent under policies issued by insurers, nonprofit health service plans, and health maintenance organizations (HMOs) from younger than age 25 to younger than age 30.

The bill applies to all policies, contracts, and health benefits plans issued, delivered, or renewed in the State on or after October 1, 2010.

Fiscal Summary

State Effect: Expenditures for the State Employee and Retiree Health and Welfare Benefits Program (State plan) increase by an estimated $3.8 million in FY 2012 to cover additional dependents between the ages of 25 and 29. Future years reflect additional dependents qualifying for coverage each year as they turn 25, as well as medical inflation. Also, potential increase in other post-employment benefits (OPEB) liability to the extent that retirees participating in the State Employee and Retiree Health and Welfare Benefits Program enroll dependents aged 25 to 29. Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the $125 rate and form filing fee in FY 2011. Review of filings can be handled with existing budgeted MIA resources.

($ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	-	$0	$0	$0	$0
GF Expenditure	$0	$2.2	$5.9	$9.4	$14.1
SF Expenditure	$0	$1.1	$3.0	$4.8	$7.2
FF Expenditure	$0	$.4	$1.1	$1.8	$2.6
Net Effect	$.0	($3.8)	($10.0)	($16.0)	($23.9)

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

Local Effect: Expenditures for some local governments increase beginning in FY 2011.

Small Business Effect: None. The bill does not apply to the small group market.

Analysis

Current Law: Insurers, nonprofit health service plans, and HMOs must allow a child dependent to remain on an insured's plan until age 25.

A "child dependent" means an unmarried child, stepchild, adopted child, grandchild, child placed for legal adoption, or other child entitled to dependent coverage who is younger than age 25, unmarried, and meets the definition of a dependent under federal law and regulation. Each health insurance policy or contract issued in Maryland that provides coverage for dependents must (1) include coverage for a child dependent; (2) provide the same benefits to a child dependent that are available to any other covered dependent; and (3) provide benefits to a child dependent at the same rate or premium applicable to any other covered dependent.

Background: Young adults age 19 through 29 are the largest growing age group in the country at risk of being uninsured, accounting for 13 million of the 47 million Americans living without health insurance. In 1994, Utah became the first state to enact legislation allowing coverage for unmarried dependents to continue up to age 26, regardless of school enrollment status. A 2006 New Jersey law provides coverage for unmarried dependents up to age 31, as long as they do not have any dependents of their own. At least 30 states have now enacted similar legislation to extend dependent coverage regardless of enrollment in school.

At the federal level, U.S. Congress passed a law in 2008 requiring insurance plans that use student status to determine dependent eligibility to allow dependents to take up to 12 months of medical leave without jeopardizing their eligibility.

Pending federal health care reform bills in the House and Senate provide dependent coverage for children up to age 26 and 27, respectively.

Health Insurance Mandates As They Relate to State and Local Governments and the Small Group Market

Employers have two major options when providing health insurance benefits. They can purchase a fully insured plan from an insurance company or they can self-insure by assuming risk and paying all claims for services themselves, usually through a third-party administrator. The federal Employee Retirement Income Security Act (ERISA) preempts states' ability to require private employers to offer insurance coverage and exempts the coverage offered by self-insured entities from state insurance regulation. Therefore, the health insurance requirements under Title 15, Subtitles 4, 7, and 8 of the Insurance Article apply only to fully insured health benefit plans.

Government entities that self-fund their health benefit plans are *not exempt* under ERISA from state regulation and health insurance mandates. In Maryland, these entities have instead been exempt from these requirements based on the State definition of "insurance business." An insurance business includes the transaction of all matters pertaining to an insurance contract, either before or after it takes effect and all matters arising from an insurance contract or a claim under it. Insurance business *does not* include pooling by public entities for self-insurance of casualty, property, or health risks.

In 2008, the Maryland Association of Counties and the Maryland Association of Boards of Education conducted an informal survey of counties and county school boards about their insurance plans, to which 22 counties and 19 school boards responded. Of the 22 responding counties, 13 were self-insured, 4 were fully insured, and 5 offered both self-insured and fully insured options. Of the 19 responding county school boards, 14 were self-insured, 1 was fully insured, and 4 offered both self-insured and fully insured options. The fully insured plans offered by counties and county school boards are subject to State insurance laws.

Maryland's small group market Comprehensive Standard Health Benefit Plan (CSHBP) is not subject to mandated benefits applicable to the large group market. Rather, the Maryland Health Care Commission reviews CSHBP on an annual basis and considers making benefit or cost sharing changes at that time. CSHBP provides coverage for dependent children up to age 25.

Other Post-employment Benefits

A retiree may enroll in the State's Health and Welfare Benefits Program and receive the same health benefits and premium subsidies provided to a State employee if the retiree meets certain criteria. The surviving spouse or dependent child of a deceased retiree may also participate in the program as long as the spouse or child receives a regular survivor's pension payment from the State.

The Government Accounting Standards Board (GASB) requires governmental employers to include in their financial statements any liabilities associated with the commitments they have made to provide post-employment benefits other than pensions. These OPEBs include health insurance for retirees, as well as any life insurance or long-term care insurance paid by the employer.

State Expenditures: Although not required to follow health insurance mandates, the State plan generally does. Thus, this estimate is based on the assumption that the State plan will follow the bill's requirement. However, since the State plan contract runs on a fiscal-year basis, the benefits specified under the bill would not be included until the fiscal 2012 plan year.

The Department of Budget and Management (DBM) advises that 855 children aged 23 and 24 are enrolled in the State plan. DBM expects approximately 80% of those dependents to stay enrolled in the State plan under the bill and expects a 2% increase in additional dependents between the ages of 25 and 29 to enroll for various reasons such as job loss or lack of insurance. Using these assumptions, approximately 701 additional dependents will be covered under the State plan in fiscal 2012, at an estimated cost of $5,350 per dependent.

In total, State plan expenditures increase by $3.8 million in fiscal 2012 to cover an additional 701 dependents. Future years reflect 7% medical inflation and DBM's estimate of additional dependents qualifying each year as they turn 25 and until they turn 30.

State plan expenditures are split 59% general funds, 30% special funds, and 11% federal funds.

Local Expenditures: Local government expenditures (for those that purchase fully insured plans from an insurance company) increase for some local governments beginning in fiscal 2011 to cover additional dependents between the ages of 25 and 29.

Additional Comments: According to CareFirst BlueCross/BlueShield, premiums will increase by approximately 1% to cover the increase in claims costs from expanding the dependent cutoff age to 30.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): CareFirst Blue Cross/Blue Shield, Department of Budget and Management, Department of Health and Mental Hygiene, Maryland Insurance Administration, National Conference of State Legislatures, Department of Legislative Services

Fiscal Note History: First Reader - February 1, 2010
mpc/mwc

Analysis by: Sarah K. Volker

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