

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 991
Appropriations

(Delegates Lierman and Brooks)

Finance

State Employee and Retiree Health and Welfare Benefits Program -
Participation by Satellite Organizations

This bill clarifies that the definition of a “qualifying not-for-profit organization” that may participate in the State Employee and Retiree Health and Welfare Benefits Program (State plan) includes a corporation, limited liability company, or any other entity wholly owned by the Legal Aid Bureau, Inc.

Fiscal Summary

State Effect: None. The change is technical in nature and does not directly affect governmental finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Certain qualifying not-for-profit organizations may participate in the State plan. They include (1) the Legal Aid Bureau, Inc.; (2) the Maryland Crime Victim’s Resource Center; or (3) an organization that receives State funds from the Department of Health and Mental Hygiene that cover more than one-third of the organization’s operating expenses. The organizations must pay to the State plan a premium and any administrative costs as determined by the Department of Budget and Management (DBM). A qualifying not-for-profit organization must determine the extent to which the organization will subsidize participation by its employees in the State plan. Employees of non-State organizations and entities that participate in the State plan do not receive State subsidies.

Background: Legal Aid Bureau, Inc. is a private, nonprofit law firm providing free legal services to low-income people statewide in 12 offices and several self-help centers. Legal Aid has about 300 employees, all of whom currently have access to health insurance through the State plan. About 20 employees are assigned to self-help centers (including a call center) that provide brief advice and counsel to nonrepresented litigants. Due to the different nature of services provided at the self-help centers, Legal Aid has been advised to move these 20 employees into a subsidiary. The bill is intended to ensure that these employees can retain access to their current health insurance under the State plan.

Additional Comments: DBM advises that recent guidance from the Internal Revenue Service notes that coverage of non-State employees in the State plan may jeopardize the State's exemption from the Employee Retirement Income Security Act of 1974 (better known as ERISA) as a governmental plan. DBM notes that continued participation of satellite entities in the State plan may present a threat to its governmental plan status.

Additional Information

Prior Introductions: None.

Cross File: SB 382 (Senator McFadden) - Finance.

Information Source(s): Legal Aid Bureau, Inc.; Department of Budget and Management; Department of Health and Mental Hygiene; Department of Legislative Services

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