

Department of Legislative Services  
 Maryland General Assembly  
 2007 Session

**FISCAL AND POLICY NOTE**

Senate Bill 735  
 Finance

(Senator Exum, *et al.*)

**Health Care Disclosure Act**

This bill requires an applicant for Medicaid, the Maryland Children’s Health Program (MCHP), or any State health care program to disclose the proposed beneficiary’s employer. If the proposed beneficiary is not employed, the applicant must identify the employers of all family members whose income is counted as family income. The Department of Health and Mental Hygiene (DHMH) must publish a report identifying all employers that employ 25 or more beneficiaries under a State health program. The report must include the employer’s name and location, the total number of employees and dependents who are enrolled in a State health program, and the total cost to the State of providing health care for these employees. DHMH must report to the General Assembly by December 1, 2008 on the bill’s implementation.

**Fiscal Summary**

**State Effect:** State expenditures could increase by \$1.6 million in FY 2008, which includes \$1,097,500 in one-time costs and \$511,000 (50% general funds, 50% federal funds) in ongoing personnel and contractual expenses associated with collecting and reporting employer information by the Department of Human Resources (DHR) and DHMH. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1,168,700	312,700	323,200	334,200	345,800
FF Expenditure	453,600	312,700	323,200	334,200	345,800
Net Effect	(\$1,622,300)	(\$625,400)	(\$646,400)	(\$668,400)	(\$691,600)

*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:** None applicable.

**Background:** Eligibility determination for Medicaid is conducted by DHR staff at local departments of human services. MCHP applications are submitted by mail to DHMH. Medicaid and MCHP applications currently ask for employer information, but it is not verified, and neither DHR's Clients Automated Resource and Eligibility System (CARES) or Medicaid's Management Information Systems (MMIS) is programmed to match employees by employer. The Maryland Primary Adult Care Program (MPAC), seven health care programs under the Family Health Administration (FHA), and the Alcohol and Drug Abuse Administration (ADAA) do not collect employer information on enrollees.

Several states, facing rapidly increasing Medicaid costs, are turning to the private sector to bear more of the costs. Wal-Mart, in particular, has been the focus of several states, who are accusing the company of providing substandard health benefits to its employees. Several states claim many Wal-Mart employees end up on public health programs such as Medicaid. A survey by Georgia officials found that more than 10,000 children of Wal-Mart employees were enrolled in the state's children's health insurance program at a cost of nearly \$10 million annually. Similarly, a North Carolina hospital found that 31% of 1,900 patients who said they were Wal-Mart employees were enrolled in Medicaid, and an additional 16% were uninsured. An internal Wal-Mart memo from 2005 indicates that nationwide a significant number of Wal-Mart employees and their children receive health insurance through public assistance programs. The memo notes that 5% of Wal-Mart employees are on Medicaid, 27% of employee's children are on such programs, and an additional 19% of employee's children are uninsured.

In 2004, DHMH was asked to report on MCHP enrollees by employer. A report was submitted but concerns were raised about the quality and reliability of the data given that it is self-reported by enrollees, not standardized, and unverified by the State.

**State Fiscal Effect:** State expenditures could increase by \$1,622,287 in fiscal 2008, which accounts for the bill's October 1, 2007 effective date. This includes both one-time and ongoing expenditures as described below.

*One-time Expenditures in Fiscal 2008:* DHMH's FHA and ADAA would incur \$715,100 in general fund expenditures to reprogram eight databases and reprint applications to allow for collection and reporting of employer data. DHR would incur \$350,000 in one-time expenditures (50% general funds, 50% federal funds) to modify the CARES database to add a new field with employer identification numbers and to capture employer data for an estimated 500,000 Medicaid and MCHP applications annually. Medicaid would incur \$32,500 in one-time expenditures (50% general funds, 50% federal funds) to hire a contractor to match CARES reports with MMIS data and to reprint MPAC application forms.

*Ongoing Expenditures:* In addition to one-time only costs, State expenditures would increase by \$511,385 in fiscal 2008 for personnel costs and changes to Medicaid's third-party contracts for MPAC to create an employer field and link with the CARES system. This estimate reflects the cost of hiring four income maintenance specialists to verify employer data during the Medicaid and MCHP application process, one data programmer to modify the CARES eligibility system at DHR, one data programmer to modify MMIS, and one part-time contractual health policy analyst to verify data and reporting at DHMH. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

DHMH

Data Systems Programming	\$250,000
Salaries and Fringe Benefits	46,083
Other Operating Expenses	10,827

DHR

Salaries and Fringe Benefits	183,512
Other Operating Expenses	<u>20,963</u>

**Total FY 2008 Ongoing State Expenditures** **\$511,385**

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover (6.8% employee for one part-time contractual employee); and (2) 1% annual increases in ongoing operating expenses.

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**Additional Information**

**Prior Introductions:** An identical bill, SB 471 of 2005, received an unfavorable report from the Senate Finance Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 5, 2007  
ncs/jr

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Analysis by: Jennifer B. Chasse

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