

Department of Legislative Services
 Maryland General Assembly
 2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1375 (Delegate Mizour)

Health and Government Operations and
 Ways and Means

Finance

Kids First Express Lane Eligibility Act

This bill extends the termination date on the requirement for taxpayers to indicate on their income tax return whether each dependent child for whom an exemption is claimed has health insurance, and continues the penalty prohibition for not providing this information or providing inaccurate information from June 30, 2011 to June 30, 2014. The bill also extends through tax year 2012 the requirement for the Comptroller to send a taxpayer who indicates that a dependent child does not have health care coverage and who does not exceed the highest income eligibility standard for Medicaid or the Maryland Children’s Health Program (MCHP) applications and enrollment instructions for those programs.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: General fund expenditures increase by \$35,700 in FY 2011 for one-time-only costs to alter tax forms. Future year expenditures (50% general funds, 50% federal funds) reflect mailing costs incurred by DHMH on behalf of the Comptroller, inflation, and the termination of mailings after FY 2013. In addition, Medicaid and MCHP expenditures may increase minimally beginning in FY 2012 to the extent enrollment in Medicaid and MCHP increases under the bill.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
FF Revenue	\$0	\$37,400	\$38,100	-	-
GF Expenditure	\$35,700	\$37,400	\$38,100	-	-
FF Expenditure	\$0	\$37,400	\$38,100	-	-
Net Effect	(\$35,700)	(\$37,400)	(\$38,100)	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The Comptroller and the Secretary of Health and Mental Hygiene must enter into an interagency agreement that allows the sharing of information from the income tax return of a taxpayer for the purpose of identifying children who may be eligible for Medicaid or MCHP and enrolling eligible children in the programs. The bill sets limitations and requirements for the agreement.

The Comptroller, in consultation with DHMH, must provide a notice with each income tax return that information from the taxpayer's return may be shared with DHMH for the purpose of determining eligibility of a dependent child for Medicaid and MCHP if the taxpayer checks a box on the tax return opting into information sharing or otherwise provides written authorization to share information.

Current Law/Background: An individual with a federal adjusted gross income (FAGI) up to \$100,000 may deduct an exemption of \$3,200 for each dependent. Individuals with a FAGI over \$100,000 and married couples filing a joint return or an individual filing as a head of household or surviving spouse with a FAGI over \$150,000 are allowed to deduct between \$600 and \$2,400 per dependent based on FAGI.

Medicaid and the Maryland Children's Health Program: Medicaid provides health care coverage to children, pregnant women, elderly or disabled individuals, and indigent parents who pass certain income and asset tests. Eligibility for MCHP currently extends to individuals younger than age 19 with family incomes up to 300% of the federal poverty guidelines (FPG). Children in families with incomes above 200% but at or below 300% FPG are enrolled in the MCHP Premium Plan. Individuals who have been eligible for employer-sponsored health insurance in the previous six months are ineligible for MCHP. Children and pregnant women who have not been legal immigrants for at least five years are ineligible for federal Medicaid and MCHP benefits. The State currently provides Medicaid benefits to legal immigrant pregnant women and children who have been in the country for less than five years using general funds only. Emergency services are provided to all financially eligible individuals regardless of immigration status.

In fiscal 2009, the average combined monthly enrollment in the Medicaid program and MCHP was approximately 680,020.

The federal Children's Health Insurance Program (CHIP) Reauthorization Act of 2008 creates a new Express Lane Eligibility option that, among other things, allows states to use income information provided on the state income tax return for the purpose of determining eligibility of a child for Medicaid or CHIP. The Act requires a data-sharing agreement and provides certain privacy protections before the data can be released.

Kids First Act of 2008

Chapter 692 of 2008 requires taxpayers, beginning with tax year 2008, to indicate on their income tax return whether each dependent child for whom an exemption is claimed has health care coverage. Taxpayers may not be penalized for not providing this information or providing information that is inaccurate. The Comptroller must send taxpayers with a dependent child and specified income notice that the dependent child may be eligible for Medicaid or MCHP and, in specified instances, Medicaid and MCHP applications, with instructions.

Uncodified language requires DHMH, in consultation with the Maryland Insurance Administration and the Maryland Health Care Commission (MHCC), to study and make recommendations for improving the processes for determining eligibility for Medicaid and MCHP, including the feasibility of auto-enrollment; study and make recommendations for increasing the availability and affordability of health care coverage for children with family incomes above 300% FPG, including specified options; and, by January 1, 2009, report on the studies and recommendations.

By January 1 of each year, MHCC and the Comptroller's Office must study and report on the number of Maryland families, by income level, claiming the State income tax exemption for dependent children; the value to a family of the State income tax exemption for dependent children, by income level; and the effect of the bill on the number and percentage of children in the State who are uninsured.

For fiscal 2010 and 2011, up to \$300,000 each year must be transferred from the Maryland Health Care Provider Rate Stabilization Fund to the Comptroller's Office to pay only for mailings of applications and enrollment instructions.

Chapter 692 terminates June 30, 2011.

DHMH advises that the notice sent by the Comptroller to taxpayers under the Kids First Act indicating that a dependent child may be eligible for Medicaid or MCHP and directing the taxpayer to contact the local health department for eligibility determination and enrollment did not result in many additional applications. Both local health

departments and local departments of social services typically conduct eligibility determinations.

The latest report released by MHCC and the Comptroller's Office in January 2010 includes 2008 and 2009 U.S. Census Bureau data which shows that approximately 9% of Maryland's 1.43 million children were uninsured during the 2007 to 2008 timeframe. There is no statistically significant difference in the number of uninsured children in Maryland in this two-year period compared to the prior two-year period. However, the report also indicates that MHCC conducted a one-year analysis of apparent changes in the uninsured of all ages from 2007 to 2008. In spite of small sample size and high margins of error of the estimates, the report indicates that there was a significant decrease in the percent uninsured from 2007 to 2008 (13.7% to 10.7%, respectively), and a significant increase in Medicaid coverage (9.1% to 10.7%, respectively). The report indicates that no conclusion can be reached about a significant one-year change in the number of uninsured children because of the small samples sizes and that a comprehensive analysis of the effect of the bill cannot be conducted until data are available for calendar 2009 in late 2010.

State Fiscal Effect: General fund expenditures increase by \$35,700 in fiscal 2011 due to a one-time-only cost for the Comptroller's Office to alter tax year 2010 income tax forms to accommodate the "opt-in" checkbox required by the bill.

While the bill requires the Comptroller's Office to mail applications and enrollment instructions, DHMH has been reimbursing the office for the incurred mailing expenses and has indicated that it will continue to do so under the bill. Therefore, this analysis assumes that DHMH rather than the Comptroller's Office will incur expenses related to mailings.

Since Chapter 692 of 2008 mandates funding for mailings of applications and enrollment instructions in fiscal 2011, DHMH will not incur any additional mailing costs under the bill until fiscal 2012. Therefore, fiscal 2012 and 2013 expenditures (50% general funds and 50% federal funds, offset by corresponding federal revenues) reflect the costs associated with DHMH covering the Comptroller's cost of mailing approximately 150,000 letters to taxpayers who either indicate that their dependent children do not have health insurance or do not indicate whether their dependent children have health insurance and meet specified income thresholds. Future years also reflect 2% inflation and the termination of mailings after fiscal 2013.

To the extent the bill results in increased enrollment in Medicaid and MCHP, DHMH expenditures (50% general funds, 50% federal funds for Medicaid and 35% general funds, 65% federal funds for MCHP, both offset by corresponding federal revenues) may increase beginning in fiscal 2012. The extent of that increase cannot be reliably estimated at this time but is expected to be minimal. DHMH reports that, under

Chapter 692 of 2008, local health departments received few additional program applications.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Human Resources, Department of Health and Mental Hygiene, Maryland Insurance Administration, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - March 17, 2010
ncs/mwc Revised - House Third Reader - April 9, 2010

Analysis by: Sarah K. Volker

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