

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 518 (Delegate Kagan, et al.)
Economic Matters

**Health Insurers and Health Maintenance Organizations - Drug Benefits -
Coverage for the Nicotine Patch**

This bill requires that a health insurer or health maintenance organization (HMO) provide drug coverage of the nicotine patch under the same conditions as other drugs for which coverage is provided.

Fiscal Summary

State Effect: General fund revenues could increase by an indeterminate amount. Expenditures would not be affected.

Local Effect: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount. Revenues would not be affected.

Fiscal Analysis

State Revenues: General fund revenues could increase by an indeterminate amount as a result of the State's 2% insurance premium tax that would apply to any increased health insurance premiums resulting from the bill's requirements. The State's premium tax is only applicable to "for-profit" insurance carriers.

In addition, general fund revenues could increase by an indeterminate amount in fiscal 1997 since insurance companies that do not already provide the coverage mandated by the bill's requirements will be subject to rate and form filing fees. Each insurer (with the exception of health maintenance organizations) that amends its insurance policy must submit the proposed change to the Insurance Administration and pay a \$100 form filing fee. Further, each insurer (with the exception of health maintenance organizations) that revises its rates must submit the proposed rate change to the Insurance Administration and pay a \$100 rate filing fee. It is not

possible to reliably estimate the number of insurers who will file new forms and rates as a result of the bill's requirements, since rate and form filings often combine several rate and policy amendments at one time.

State Expenditures: The mandated health benefit required by this bill does not affect State expenditures because it is already covered by the Medicaid program and by the State employee health benefit plan. The Maryland Pharmacy Assistance Program, which subsidizes the purchase of drugs for individuals who do not qualify for Medicaid, does not cover the nicotine patch because it is not considered a maintenance drug. However, the bill would not apply to the Pharmacy Assistance Program since it applies only to health insurers and HMOs.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount, depending upon the current type of health care coverage offered and number of enrollees.

Information Source(s): Department of Budget and Fiscal Planning, Department of Health and Mental Hygiene (Medical Care Programs Administration, Health Care Access and Cost Commission), Insurance Administration, Department of Fiscal Services

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