

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 230 (Delegate Krysiak)
Economic Matters

Health Insurance - Medical Clinical Trials - Coverage

This bill requires insurers and nonprofit health service plans to provide coverage for health care costs incurred as a result of treatment provided in a clinical trial for a life-threatening, degenerative, or permanently disabling condition, under specified circumstances. The bill also requires insurers and nonprofit health service plans to provide coverage for FDA-approved drugs and devices whether or not the FDA has approved the drug or device for treating the enrollee's particular condition.

Fiscal Summary

State Effect: If the State chooses to include the bill's mandated benefit as part of the employee health benefit plan, expenditures could increase by an indeterminate amount in FY 1998. General fund revenues could increase by an indeterminate amount.

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

Small Business Effect: Potential minimal effect on small businesses as discussed below.

Fiscal Analysis

State Revenues: Medical care costs for some health plans subject to State mandates could increase as a result of this bill. The extent of the increase, however, cannot be reliably estimated because the following data are unavailable at this time: (1) the number of clinical trials currently being conducted; (2) the average cost of health care services associated with clinical trials; (3) the number of health plans that currently provide coverage for clinical trials; and (4) the additional costs of prescription coverage for drugs or devices that previously were not covered because they were not approved by the FDA for treating the

enrollee's particular condition. In any event, the increase in medical care costs would cause the affected health plans to raise premiums, meaning that 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 1998 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 affected insurer that amends its insurance policy must submit the proposed change to the Insurance Administration and pay a \$100 form filing fee. Further, each affected insurer that revises its rates must submit the proposed rate change to the Insurance Administration and pay a \$100 rate filing fee. The number of insurers who will file new forms and rates as a result of the bill's requirements cannot be reliably estimated at this time, since rate and form filings often combine several rate and policy amendments at one time.

State Expenditures: Currently, the State employee health benefit plan does not provide coverage for any services that are "experimental" or "investigative" in nature, including services provided through clinical trials. Although the State is self-insured and not required to cover mandated health benefits, in the past the State employee health benefit plan has always included coverage for mandated health benefits. Therefore, if the State chooses to include the bill's mandated benefit, medical care costs to the State employee health benefit plan could increase. The extent of the increase, however, cannot be reliably estimated because of insufficient data.

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.

Small Business Effect: In 1995, 40% of small businesses were covered under the Comprehensive Standard Health Benefit Plan (CSHBP), which is exempt from State mandates. If the CSHBP decides to cover this mandated benefit, premiums would increase for the CSHBP. For the remaining 60% of small businesses, health insurance costs would increase if: (1) they offer health insurance; (2) they currently do not provide coverage for clinical trials mandated by the bill; and (3) their health plan is subject to the mandates. In that event, this bill may adversely impact self-employed persons and small businesses that receive health coverage through the affected health carriers. To the extent that medical care costs increase as a result of this bill and health carriers raise premiums to cover that increase, self-employed persons and small businesses could face higher health care costs. Alternatively, small businesses could pass an increase in insurance premium costs onto their

employees.

Additional Comments: Less than 36% of insured Maryland residents will be affected by this bill because State mandated benefits do not apply to self-insured health plans (including the State health benefit plan), the Comprehensive Standard Health Benefit Plan (CSHBP), and federal programs such as FEHBP, CHAMPUS, Medicaid and Medicare (with the exception of enrollees who receive care through a health maintenance organization).

Information Source(s): Insurance Administration, Department of Health and Mental Hygiene (Medical Care Policy Administration), Department of Budget and Management, Department of Fiscal Services

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