

Department of Legislative Services
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FISCAL AND POLICY NOTE

House Bill 1277 (Delegate Cardin)

Appropriations and Health and
Government Operations

**State Employee and Retiree Health and Welfare Benefits Program - Health
Improvement and Cost Savings Act of 2012**

This bill requires the Secretary of Budget and Management, in consultation with the Department of Health and Mental Hygiene (DHMH), to develop a voluntary wellness pilot project for the State Employee and Retiree Health and Welfare Benefits Program (State plan) for fiscal 2014 only. The wellness pilot project must be designed to achieve savings in health care costs through participation in qualified fitness, tobacco cessation, weight loss, and physical activity programs by State employees and their dependents. By December 1, 2014, the Secretary of Budget and Management must report to the General Assembly on the implementation of the wellness pilot project.

The bill takes effect July 1, 2012, and terminates June 30, 2015.

Fiscal Summary

State Effect: Expenditures for the State plan increase by a potentially significant amount in FY 2014 to implement a wellness pilot project as specified under the bill. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The Secretary of Budget and Management, in consultation with DHMH, must adopt regulations to establish evidence-based criteria for programs that must be met in order to be deemed qualified under the wellness pilot project.

The wellness pilot project must provide coverage for expenses to participate in specified programs, as well as reduced premiums for satisfactory participation in the pilot project. Coverage for expenses to participate or purchase a membership in a qualified fitness, tobacco cessation, weight loss, or physical activity program cannot exceed, for each State employee or dependent: (1) \$500 *each* for a qualified fitness, tobacco cessation, or weight loss program for each employee or dependent younger than 65 years old; or (2) \$750 *each* for a qualified fitness, tobacco cessation, or weight loss program for each employee or dependent who is at least 65 years old. For each child dependent of a State employee, expenses cannot exceed \$500 for a qualified physical activity program. Total expenses covered by the State plan cannot exceed \$1,500 for a State employee plus at least one dependent or \$750 for a State employee only.

Current Law: Wellness programs are designed to promote health or prevent or detect disease or illness, reduce or avoid poor clinical outcomes, prevent complications from medical conditions, promote healthy behaviors, or prevent and control injury.

Chapters 682 and 683 of 2009 authorized health insurance carriers to provide reasonable incentives to an insured, subscriber, or member for participation in a bona fide wellness program under specified circumstances and clarified that it is not discrimination or a rebate for a carrier to provide such incentives. A carrier may not make participation in a bona fide wellness program a condition of coverage. Participation must be voluntary, and a penalty may not be imposed for nonparticipation. A carrier may not market the bona fide wellness program solely as an incentive or inducement to purchase coverage from the carrier. Except in specified situations, a wellness program may not condition an incentive on an individual satisfying a standard related to a health factor. A bona fide wellness program must be construed to be reasonably designed to promote health or prevent disease if the program (1) has a reasonable chance of improving the health of or preventing disease in participating individuals; (2) is not overly burdensome; (3) is not a subterfuge for discriminating based on a health factor; and (4) is not highly suspect in the method chosen to promote health or prevent disease.

Background: In an effort to stem increasing health insurance and medical costs, many employers offer health insurance premium discounts to enrollees who participate in wellness programs. Wellness programs include such things as smoking cessation, weight management, stress management, nutrition education, and prenatal education.

At least 20 states have some type of wellness program for public employees. Typically, employees participate in a screening that focuses on key health measures such as body mass index (BMI), smoking, blood pressure, cholesterol, and physical activity. Many states offer participants premium discounts, while some offer cash incentives for participation or measurable improvement on specific health indicators. Delaware's DelaWELL program provides a health risk assessment, followed by personalized lifestyle and disease management tools. Since its inception, DelaWELL has expanded to include on-site biometric screenings, discounted gym memberships, and discounted pricing for Weight Watchers[®] offerings for employees and covered dependents older than age 18.

In fiscal 2010, the Department of Budget and Management (DBM) implemented a voluntary disease management program in the State plan that coordinates the medical, behavioral health, and prescription claims of enrollees with five disease states: hypertension, diabetes, cardiovascular disease, asthma, and depression. The program includes outreach by nurse practitioners to individuals with such chronic conditions. Generic drugs tied to these five disease states are also available at a \$0 copayment to improve medication/treatment adherence and remove any potential barriers to care. DBM also offers several wellness resources on its website.

According to the U.S. Centers for Disease Control and Prevention (CDC), an estimated 27.9% of Maryland adults are obese (a BMI of 30.0 or greater) and 15.2% are smokers. Nationally, in 2009-2010, 16.9% of children and adolescents ages 2 to 19 were obese.

In fiscal 2012, total State plan enrollment is 219,371, including about 69,000 employees, 40,000 retirees, and 110,000 dependents (of which approximately 40,000 are children younger than age 19).

State Fiscal Effect: State plan expenditures increase by a potentially significant amount in fiscal 2014 to implement the wellness pilot project. The exact amount of such expenditures cannot be reliably estimated at this time and will depend on voluntary pilot project enrollment, the level of participation by enrollees, the cost of covered expenses for qualified programs, and the amount of any reduced premiums offered to participants.

According to DBM, the wellness pilot project could cost more than \$25.0 million based on the assumption that approximately 20% of State employees will receive the maximum payment provided under the bill (\$750 per State employee or \$1,500 for a State employee plus at least one dependent) for enrollment in a qualified fitness, tobacco cessation, weight loss, or physical activity program. This estimate *does not* include any reduced premiums for satisfactory participation in the pilot project as required under the bill.

For illustrative purposes only, applying CDC data to State plan enrollees, an estimated 10,488 State employees smoke; 19,251 State employees are obese; and 6,760 child

dependents are obese. If only 10% of these individuals elect to participate in either a tobacco cessation, fitness, weight loss, or a physical activity program under the wellness pilot project at a cost of up to \$500 per program per participant, State plan expenditures will increase by as much as \$1.8 million in fiscal 2014. State plan expenditures are split 59% general funds, 30% special funds, and 11% federal funds.

As the bill requires that the program be designed to achieve savings in health care costs, in future years, the program could generate savings.

DHMH indicates that there are no national standards for evidence-based fitness, physical activity, weight loss, and tobacco cessation programs. Therefore, DBM and DHMH would have to develop a methodology for identifying qualified programs under the bill. DHMH advises that development of such criteria could not be handled within existing resources.

Additional Comments: HB 638 of 2012 would, among other things, require the Secretary of Budget and Management, in consultation with the Secretary of Health and Mental Hygiene, to develop and implement a bona fide wellness program for inclusion in the State plan.

SB 400 of 2012 (as well as SB 566/HB 229 of 2011, SB 1003/HB 1105 of 2010, and HB 711 of 2009) would create a subtraction modification of up to \$1,500 (\$750 for married couples filing separately) for qualified expenses related to fitness activities, tobacco cessation, and weight loss programs.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): U.S. Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System Survey Data, 2010; U.S. Centers for Disease Control and Prevention, National Health and Nutrition Examination Survey Data, 2009-2010; National Conference of State Legislatures; State of Delaware Office of Management and Budget; Department of Budget and Management; Department of Health and Mental Hygiene; Department of Legislative Services

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