HB 185

Department of Legislative Services

Maryland General Assembly
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FISCAL AND POLICY NOTE

House Bill 185 (Delegate Cardin, *et al.*)
Appropriations and Health and Government Operations

State Employee and Retiree Health and Welfare Benefits Program - Health Improvement and Cost Savings Act of 2013

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 2015 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, 2015, 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, 2013, and terminates June 30, 2016.

Fiscal Summary

State Effect: Expenditures for the State plan increase by a potentially significant amount in FY 2015 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 wellness pilot project must provide a monetary incentive of $50 per year for participation of a State employee and a dependent in a qualified fitness, tobacco cessation, weight loss, or physical activity program. The total monetary incentives that may be provided to a State employee or a State employee plus one or more dependents may not exceed $150 per year.

The Secretary of Budget and Management, in consultation with DHMH, must (1) adopt regulations to establish evidence-based criteria for programs that must be met in order to be deemed qualified under the wellness pilot project; (2) establish the participation requirements an employee or dependent must meet to receive a monetary incentive; and (3) establish a process for providing the monetary incentive.

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 (HB 610/SB 638) 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. In Delaware's DelaWELL Health Management Program, eligible members receive access to a confidential online wellness assessment, on-site health screenings, wellness challenges, online and on-site health seminars, personal health coaching, and condition care programs.

Enrollees can earn DelaWELL rewards of up to $200 for participating in various activities throughout the year.

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), in 2011, an estimated 28.3% of Maryland adults were obese (a BMI of 30.0 or greater) and 19.1% were smokers. Nationally, in 2009-2010, 16.9% of children and adolescents ages 2 to 19 were obese.

In fiscal 2013, total State plan enrollment is about 228,000, including about 70,000 employees, 41,000 retirees, and 117,000 dependents (of which approximately 39,000 are children younger than age 19).

State Fiscal Effect: State plan expenditures increase by a potentially significant amount in fiscal 2015 to implement the wellness pilot project. The exact amount of such expenditures cannot be reliably estimated at this time and will depend on enrollment.

Applying CDC statistics to State plan data, the wellness pilot project could cost as much as $2.2 million in fiscal 2015. This estimate is based on the following information and assumptions:

- there are about 187,000 State employees and dependents enrolled in the State plan, including 39,000 dependents younger than age 19;
- 19.1% of State employees and adult dependents smoke (28,268);
- 28.3% of State employees and adult dependents are obese (41,884);
- 16.9% of child dependents are obese (6,591);

- 20% of these individuals (15,349) will participate in a qualified tobacco cessation, weight loss, or physical activity program under the pilot project;
- 20% of State employees and adult dependents (29,600) will participate in a qualified fitness program under the pilot project; and
- each of the 44,949 participating individuals will qualify for a $50 monetary incentive for participation at a cost of $2,247,450.

To the extent that these individuals are in the same household, expenditures could be reduced as the bill caps the total amount of monetary incentives that may be provided to a State employee or a State employee plus one or more dependents at $150 per year.

Alternatively, there are approximately 70,000 State employees enrolled in the State plan. If 20% of State employee households participated in the pilot project, total costs could range between $700,000 (assuming an award of $50 per household) and $2.1 million (assuming the maximum award of $150 per household).

State plan expenditures are split 59% general funds, 30% special funds, and 11% federal funds.

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: SB 224/HB 391 of 2013 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 have created 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: This bill is substantially similar to HB 1277 of 2012. HB 1277 was heard by the House Appropriations and Health and Government Operations committees, but no further action was taken on the bill.

Cross File: SB 843 (Senator Pugh) – Rules.

Information Source(s): U.S. Centers for Disease Control and Prevention, Department of Budget and Management, Department of Health and Mental Hygiene, Department of Legislative Services

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