

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 181 (Senator Green)

Finance

Referred to Economic Matters

Health Insurance - Reconstructive Breast Surgery - Coverage

This amended bill requires health insurers and health maintenance organizations to provide coverage for reconstructive breast surgery resulting from a mastectomy. It specifies that coverage is to include surgery on a nondiseased breast to establish symmetry with the diseased breast.

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 estimated \$32,625 in FY 1997. Future year expenditures grow with annualization and inflation. General fund revenues could increase by an indeterminate amount.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	---	---	---	---	---
GF/SF/FF	32,625	68,839	72,625	76,619	80,833
Net Effect	(32,625)	(68,839)	(72,625)	(76,619)	(80,833)

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

*assumes (1) a mix of 60% general funds, 20% special funds, and 20% federal funds; and (2) 20% of expenditures are reimbursable through employee contributions

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

Fiscal Analysis

State Revenues: General fund revenues could increase by an indeterminate minimal amount in fiscal 1997 as a result of the State's 2% insurance premium tax that applies 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 minimal 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. In addition, 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 State employee health benefit plan does not cover cosmetic surgery on the nondiseased breast. 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, expenditures could increase by an estimated \$32,625 (assumes a mix of 60% general funds, 20% special funds and 20% federal funds) in fiscal 1997. The estimate assumes: (1) 87 mastectomies, based on experience from 1993 and 1994; (2) an average cost of \$750 for reconstruction of the nondiseased breast; and (3) an effective date of January 1, 1997, the start date of the annual State employee health benefit plan contract. Future year expenditures reflect medical cost inflation of 5.5% and annualization.

The mandated benefit does not affect Medicaid expenditures because reconstructive breast surgery following a mastectomy is already covered.

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 Health and Mental Hygiene (Local and Family Health Administration, Medical Care Programs Administration), Department of Budget and Fiscal Planning, Insurance Administration

Fiscal Note History: First Reader - January 30, 1996
ncs Revised - Senate Third Reader - March 14, 1996
lc Revised - Updated Information - May 7, 1996

Analysis by: Sue Friedlander
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710