SB 49

# Department of Fiscal Services

Maryland General Assembly

## FISCAL NOTE
## Revised

Senate Bill 49 (Senator Craig, et al.)
Finance — Referred to Economic Matters

### Health Insurance - Diabetes Equipment, Supplies, and Training - Coverage

This amended bill requires that insurers and health maintenance organizations provide coverage for certain diabetes equipment, supplies, and self-management training. It also requires that outpatient self-management training be provided through a program supervised by an appropriately licensed health care provider.

The Secretary of Health and Mental Hygiene is to appoint a panel of experts to determine whether diabetes equipment available on the market is sufficiently cost effective to be included in the mandated benefit. The Secretary must submit a written report on the panel's decisions to the Insurance Commissioner.

The bill takes effect January 1, 1997.

## Fiscal Summary

**State Effect:** General fund revenues could increase by an indeterminate moderate amount. Assuming that the State includes this mandated benefit in the State employee health benefit plan, expenditures could increase by an estimated $55,600 in FY 1997. Future year expenditures increase as a result of annualization and inflation.

| (in dollars) | FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 |
|---|---|---|---|---|---|
| GF Revenues | -- | -- | -- | -- | -- |
| GF/SF/FF | $55,600 | $114,600 | $118,000 | $121,600 | $125,200 |
| Net Effect | ($55,600) | ($114,600) | ($118,000) | ($121,600) | ($125,200) |

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

*assumes a mix of 60% general funds, 20% special funds and 20% federal funds

**Local Effect:** Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount in FY 1997. Revenues are not affected.

## Fiscal Analysis

**State Revenues:** General fund revenues could increase by an indeterminate moderate 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 contract 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 this bill's requirements alone, since rate and form filings often combine several rate and policy amendments at one time.

General fund revenues could also increase by an indeterminate moderate amount in fiscal 1997 as a result of the State's 2% insurance premium tax on any increased health insurance premiums that result from the bill's requirements. The State's premium tax is only applicable to "for-profit" insurance carriers.

**State Expenditures:** Items not currently covered under the State employees health benefit plan include diabetic test strips, lancets, and diabetic outpatient self-management training. Although the State is self-insured and is not required to cover mandated health benefits, expenditures for State employee health insurance benefits could increase by an estimated $55,600 (assumes a mix of 60% general funds, 20% special funds and 20% federal funds) in fiscal 1997 if the State chooses to include the bill's mandated benefit and if the items not currently covered are recommended for inclusion in the mandated benefit by the panel of experts. The $55,600 estimate assumes: (1) current State health plan expenditures for diabetic medication of $1.8 million based on 1994-1995 utilization data; (2) additional costs for new health mandate totals 6% of current diabetic expenditures; (3) annual combined inflation and utilization rate increase of 3%; and (4) the bill's effective date of January 1, 1997.

Future year expenditures reflect (1) annualized benefit costs; (2) 2% annual inflation increases; and (3) 1% annual utilization rate increases due to increasing age of the State employee/retiree population.

The Insurance Administration will be required to review and approve revised rates and forms to comply with the bill's required mandate change. The additional review required by the bill can be handled with existing staff resources.

There is no fiscal impact on the Department of Health and Mental Hygiene's Medical Assistance Program because it already offers comprehensive diabetic services.

Any additional workload created by the bill's requirement that a panel of experts be appointed by the Secretary of Health and Mental Hygiene could be handled with existing budgeted resources.

**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.

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

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| **Fiscal Note History:** | First Reader - January 17, 1996 |
| ncs | Revised - Senate Third Reader - March 18, 1996 |

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