

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1040 (Delegate Goldwater, *et al.*)

Economic Matters

Referred to Finance

Health Insurance - Mandated Coverage - Prostate Cancer

This amended bill requires health insurers, nonprofit health service plans, and HMOs (carriers) to provide coverage for medically recognized diagnostic examinations for prostate cancer, including a Digital Rectal Examination (DRE) and a Prostate-Specific Antigen (PSA) blood test: (1) for men between 40 and 75 years of age; (2) when used for patient management in monitoring the response to prostate cancer treatment; (3) when used for staging in determining the need for a bone scan in prostate cancer patients; and (4) for men at high risk for prostate cancer.

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 \$314,600 in FY 1998, which reflects the October 1, 1997 effective date. Future year expenditures increase with annualization and inflation. General fund revenues could increase by an indeterminate minimal amount.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	---	---	---	---	---
GF/SF/FF Expend.*	\$314,600	\$439,200	\$459,800	\$481,400	\$504,100
Net Effect	(\$314,600)	(\$439,200)	(\$459,800)	(\$481,400)	(\$504,100)

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 minimal amount. Revenues would not be affected.

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

Fiscal Analysis

State Revenues: It is anticipated that the cost of covering the mandated benefit to health carriers would be minimal based on the estimated increase in annual medical care costs of 0.1% to the State employee health benefit plan. The increase in medical care costs would cause carriers to raise premiums and general fund revenues would increase by an indeterminate minimal amount in fiscal 1998 as a result of the State's 2% insurance premium tax. 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 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 (except HMOs) that revises its rates and amends its insurance policy must submit the proposed change(s) to the Insurance Administration and pay a \$100 rate and/or form filing fee. The number of insurers who will file new rates and forms 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, if a person has a history of prostate cancer or other prostate cancer risk factors, the State employee health benefit plan covers the cost of diagnostic examinations. Otherwise, the State employee health benefit plan does not cover the diagnostic examinations required by the bill. Although the State is self-insured and not required to cover mandated health benefits, in the past the State employee health benefit plan has often included coverage for mandated health benefits. Therefore, if the State chooses to include the bill's mandated benefit, annual medical care expenditures for the State employee health benefit plan could increase by approximately 0.1%, or \$314,600 (assumes a mix of 60% general funds, 20% special funds and 20% federal funds) in fiscal 1998.

It is estimated that there are a significant number of men (State employees and male spouses) covered through the State employee health benefit plan who fall between the age of 40 and 75 years of age: as many as 16,000 active male employees and male spouses of active employees would be affected by this bill, in addition to the approximately 11,000 male retirees. An unknown proportion of the affected population are men with a history of prostate cancer risk factors and are already covered by the State employee health benefit plan for the examination. The \$314,600 estimate assumes: (1) only approximately 9,500 men without prostate cancer or prostate cancer risk factors in the targeted population would avail themselves of the examination by virtue of the diagnostic nature of the examination in any year; (2) the average cost of the examination would be about \$45; (3) all 12 medical plans offered through the State employee health benefit plan would have to offer the coverage; (4) program costs in fiscal 1998 are projected to be \$419.5 million; and (5) an October 1, 1997 effective date. Future year expenditures reflect annualization and medical cost inflation of 4.7%.

This bill would indirectly affect the Medicaid program through the HMOs with which Medicaid contracts. The Medicaid program reimburses providers only for medically necessary health services. Under this bill, HMOs would be required to provide coverage for diagnostic examinations for prostate cancer; however, the Medicaid program may not reimburse providers for all the costs if the program decides that the examinations were not medically necessary. In the long term, the bill could increase expenditures minimally if HMOs with which Medicaid contracts persuade the State to increase the reimbursement rates to HMOs to accommodate the increase in costs as a result of the bill.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate minimal 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 mandated benefits. If the CSHBP adds this benefit as a covered service, the insurance cost for participating small businesses would increase. For the remaining 60% of small businesses, health insurance costs would increase if they offer health insurance and their health plan is subject to mandated benefits. Alternatively, small businesses could pass an increase in health insurance premium costs on to 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 an HMO).

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

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