HB 1352

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 1352 (Delegate Eckardt)
Economic Matters

Health Insurance - Diabetes Equipment, Supplies, and Self-Management Training - Coverage

This bill requires health insurers, nonprofit health service plans, and HMOs (carriers) to provide coverage for certain diabetes equipment, supplies, and self-management training and educational services, if the treating physician or other appropriately licensed health practitioner decides it is necessary for the treatment of: (1) insulin-using diabetes; (2) noninsulin-using diabetes; or (3) elevated blood glucose levels induced by pregnancy. The training and educational services must be provided through a program supervised by an appropriately licensed health care practitioner. The carrier may impose cost-sharing requirements but the cost-sharing may not be greater than the cost-sharing arrangement for other similar coverage.

The bill will take effect January 1, 1998 and applies to policies issued, delivered, or renewed on or after that date.

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 $65,300 in FY 1998, which reflects a January 1, 1998 effective date. Future year expenditures reflect 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	$65,300	$136,600	$143,100	$149,800	$156,800
Net Effect	($65,300)	($136,600)	($143,100)	($149,800)	($156,800)

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 Effect: Currently, the State employee health benefit plan covers syringes and needles for diabetics. Insulin is covered under the State prescription drug plan. Neither the State health plan nor the prescription plan covers diabetic test strips, lancets, and diabetic self-management training and educational services. 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, medical care expenditures for the State employee health benefit plan could increase by approximately $66,300 (assumes a mix of 60% general funds, 20% special funds and 20% federal funds) in fiscal 1998.

The $66,300 estimate assumes: (1) current State health plan expenditures for diabetic medication of $2.2 million based on 1995-1996 utilization data; (2) additional costs for new health mandates total 6% of current diabetic expenditure; and (3) a January 1, 1998 effective date. Future year expenditures reflect annualization and medical cost inflation of 4.7%.

Expenditures for the Medicaid program would not be affected since they already cover these services.

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 less than 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.

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: The Health Care Access and Cost Commission (HCACC) recently promulgated regulations to include coverage in the Comprehensive Standard Health Benefit Plan (CSHBP) for insulin-using beneficiaries for: (1) insulin syringes and needles and testing strips for glucose monitoring equipment under the prescription coverage; and (2) glucose monitoring equipment under the durable medical equipment coverage. If the CSHBP includes coverage for the two other populations identified in the bill and includes coverage for insulin pumps, education and training, premiums for the CSHBP will increase. According to a Foster Higgins analysis, the increase in premiums is expected to be less than 0.05% (less than $1.44 on average). Currently, the average cost of the CSHBP is $2,879. Approximately 40% of small businesses are covered under the CSHBP.

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.

Information Source(s): Insurance Administration; Department of Budget and Management; Department of Health and Mental Hygiene (Medical Care Policy Administration, Community and Public Health Administration, Health Care Access and Cost Commission); Foster Higgins; Department of Fiscal Services

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