

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**  
**Revised**

House Bill 155 (Delegate Goldwater, *et al.*)

Economic Matters

Referred to Finance

**Osteoporosis Prevention and Treatment Education Act**

This amended bill requires health insurers, nonprofit health service plans, and HMOs to provide coverage for bone mass measurement for the prevention, diagnosis, and treatment of osteoporosis to qualified individuals when requested by a health care provider. This bill affects health insurance contracts that take effect on or after October 1, 1997.

**Fiscal Summary**

**State Effect:** If the State chooses to include the bill's mandated benefit as part of the State employee health benefit plan, expenditures could increase by at least \$132,100 in FY 1998, which reflects the bill's October 1, 1997 effective date. Future year expenditures grow with annualization and inflation. General fund revenues could increase by a minimal amount from health insurance premium taxes.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	\$132,100	\$184,400	\$193,100	\$202,200	\$211,700
Net Effect	(\$132,100)	(\$184,400)	(\$193,100)	(\$202,200)	(\$211,700)

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

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

**Small Business Effect:** Minimal effect on small businesses as discussed below.

**Fiscal Analysis**

**State Revenues:** According to a Foster Higgins analysis, if the Comprehensive Standard Health Benefit Plan (CSHBP) adds this benefit as a covered service, health insurance

premiums for participating small businesses would increase by less than 0.05% (less than \$1.60 on average). Although the CSHBP applies only to small businesses, it is assumed that the additional cost of covering the mandated benefit to other health insurers and nonprofit health service plans would be approximately the same as the additional cost to the CSHBP, and insurance premiums for other health plans would increase by approximately the same magnitude. Therefore, based on an estimate of \$1.25 billion in premiums collected by health insurers in the State in 1995 (excluding HMOs), general fund revenues could increase by, at most, \$12,500 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 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:** 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 benefits. Therefore, if the State chooses to include the bill's mandated benefit for its self-insured plans, expenditures could increase by an estimated \$132,100 (assumes a mix of 60% general funds, 20% special funds, and 20% federal funds) in fiscal 1998. The estimate assumes: (1) 176,150 covered lives (does not include State employees in HMO plans); (2) a tenfold increase in the current utilization rate of bone mass measurement procedure due to the bill's requirements which establish the procedure as a screening technique in addition to treatment; (3) average cost for bone mass measurement of \$250; and (4) an effective date of October 1, 1997. Future year expenditures reflect medical cost inflation of 4.7% and annualization.

Since the State is insured for HMO plans, premiums for the HMO plans offered through the State employee health benefit plan would increase to reflect the increased medical care costs to HMOs. The extent of the increase cannot be reliably estimated at this time. There are approximately 20,000 State employees enrolled in HMO plans.

**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 employees.

**Small Business Effect:** The cost of the mandated benefit to each small business is expected to be minimal. In 1995, 40% of small businesses were covered under the Comprehensive

Standard Health Benefit Plan (CSHBP), which is exempt from State mandated benefits. According to a Foster Higgins analysis, if the CSHBP adds this benefit as a covered service, health insurance premiums for participating small businesses would increase by less than 0.05% (less than \$1.60 on average). Currently, the average cost of the CSHBP is \$3,195. For the remaining 60% of small businesses, health insurance costs would increase if: (1) they offer health insurance; (2) their health plan currently does not offer coverage for the mandated benefit; and (3) their health plan is subject to mandated benefits. To the extent that medical care costs increase as a result of this bill and health carriers raise premiums to cover that increase, self-employed persons and small businesses could face higher health care costs. Alternatively, small businesses could pass an increase in insurance premium costs onto their employees.

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**Information Source(s):** Insurance Administration, Department of Health and Mental Hygiene (Community and Public Health Administration), Department of Budget and Management, Department of Fiscal Services, Foster Higgins

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Analysis by: Lina Walker  
Reviewed by: John Rixey

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