

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1426 (Delegate La Vay)
Economic Matters

Health Benefits - In Vitro Fertilization - Mandated Offering

This bill provides that the current outpatient in vitro fertilization (IVF) mandated benefit is a mandated offering, i.e., a benefit that must be offered by health benefit plans but not necessarily provided as a standard benefit. The bill also limits the applicability of the benefit by repealing the requirement that it applies to health benefit plans issued outside the State that cover individuals who reside and work in the State. Under the bill, the benefit applies only to health benefit plans issued in the State.

Fiscal Summary

State Effect: If the State chooses to exclude the bill’s mandated offering from the employee health benefit plan, expenditures could decrease by an estimated \$1.4 million in FY 1998. Future year savings grow with annualization and inflation. General fund revenues could decrease by an indeterminate amount.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	----	----	----	----	----
GF/SF/FF	(\$1.4)	(\$1.9)	(\$1.9)	(\$2.1)	(\$2.2)
Net Effect	(\$1.4)	(\$1.9)	(\$1.9)	(\$2.1)	(\$2.2)

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 decrease by an indeterminate amount. Revenues would not be affected.

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

Fiscal Analysis

State Revenues: General fund revenues could decrease by an indeterminate amount in fiscal 1998 as a result of the State's 2% insurance premium tax that would apply to any decreased health insurance premiums resulting from the bill. The State's premium tax is only applicable to "for-profit" insurance carriers.

In addition, general fund revenues could decrease by an indeterminate amount since insurance companies that choose to change their coverage to a mandated offering 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: The State employee health benefit plan is self-insured and is not required to cover mandated benefits. However, the actual practice has been to provide mandated benefits, including in vitro fertilization benefits. Therefore, the State could realize savings if the State employee health benefit plan chooses to refuse the offering and no longer provide IVF benefits to State employees. In that event, State expenditures could decrease by an estimated \$1.4 million (assumes a mix of 60% general funds, 20% special funds, and 20% federal funds) in fiscal 1998, which includes \$1.34 million in savings from IVF procedure costs and \$0.02 million in savings from fewer maternity costs.

The \$1.4 million estimate reflects the following assumptions: (1) a cost of \$18,000 per IVF attempt, including drugs and ancillary services; (2) 25,810 female State employees and female spouses of State employees between the ages of 30 and 45; (3) 10% of the population is affected by infertility; (4) 15% IVF usage rate; (5) 100% of State employees and 60% of State employee spouses will use the State health benefit plan; (6) individuals who use IVF will use it three times during a ten-year period, for a total of 99 annual IVF procedures; (7) an 18% success rate for IVF procedures; (8) 50% of couples would not proceed on their own absent the benefit; (9) \$8,000 savings in maternity costs per case; and (10) the bill's October 1, 1997 effective date.

Future year expenditures reflect medical cost inflation of 4.7% annualization.

The bill would not affect the Medicaid program because IVF is not currently a covered service under Medicaid.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could

decrease by an indeterminate amount, depending upon the current type of health care coverage offered and number of employees.

Small Business Effect: In 1995, 40% of small businesses were covered under the Comprehensive Standard Health Benefit Plan (CSHBP); however, the CSHBP does not provide coverage for IVF. For the remaining 60% of small businesses, health insurance costs could decrease if they offer health insurance with IVF coverage. Alternatively, small businesses could pass a decrease 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), Department of Fiscal Services

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