

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 429 (Senator Dorman)
Finance

Referred to Economic Matters

**Health Insurance - Benefits for Mental Illness - Referral for Consultation or
Specialty Services**

This amended bill provides, for purposes of obtaining a referral for consultation or specialty mental health services, that the health insurer, nonprofit health service plan, or HMO cannot require an individual to receive approval from a health care provider in addition to the individual's primary care provider, unless benefits for physical illnesses covered under the individual's contract are subject to the same requirement.

Fiscal Summary

State Effect: Indeterminate effect on general fund revenues and expenditures as discussed below.

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

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

Fiscal Analysis

State Effect: As of January 1, 1997, Preferred Provider Option (PPO) and Point-of-Service (POS) members of the State employee health benefit plan obtain their mental health coverage through Green Spring Mental Health Service. Members are allowed to self-refer to access Green Spring services. However, members receive reduced or no coverage if they did not obtain prior authorization from Green Spring to receive mental health services. State employees enrolled in HMO plans receive all their mental health services through their HMO. All mental health services received through the HMO plan must be authorized by the HMO, in order to receive coverage. Since the State employee health benefit plan is self-insured for PPO services and POS out-of-network services and is insured for POS in-network

services and HMO plans, medical care costs to the State employee health benefit plan could increase if the bill results in (1) coverage for some mental health services which previously would not have been covered; and (2) more individuals accessing the mental health system. The extent of the increase cannot be reliably estimated at this time because there are insufficient data on the (1) number of individuals who currently access the system; (2) the extent to which this legislation would increase the number of individuals seeking mental health services; and (3) the associated cost of those services.

The bill could increase medical care costs for those health insurers that provide mental health coverage through a managed care plan because utilization controls may be reduced as a result of this bill. The extent of the impact, however, is indeterminate. If costs increase, these carriers would raise premiums on their health plans, meaning that general fund revenues could increase by an indeterminate 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 amount if carriers have to file new rates and forms to the Insurance Administration and pay a \$100 rate and/or form filing fee.

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.

Small Business Effect: To the extent that costs increase as a result of this bill and health carriers raise premiums to cover that increase, self-employed persons and small businesses that offer health insurance could face higher health care costs. Alternatively, small businesses could pass an increase in health insurance premium costs onto their employees.

Information Source(s): Insurance Administration; Department of Health and Mental Hygiene (Health Care Access and Cost Commission, Mental Hygiene Administration, Medical Care Policy Administration, Alcohol and Drug Abuse Administration); Department of Budget and Management; Department of Fiscal Services

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