Department of Legislative Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 470 (Senator Hollinger, *et al.*)
Finance

Health Benefit Plans - Minimum Inpatient Hospitalization Coverage - Treatments for Breast and Testicular Cancer

This bill requires health insurers, nonprofit health service plans, and HMOs (carriers) to provide a minimum of 48 hours of inpatient hospitalization after a mastectomy or the removal of a testicle due to testicular cancer and to provide 24 hours of inpatient hospitalization after a lymph node dissection or lumpectomy, unless the patient decides, in consultation with the attending physician, on a shorter hospital stay or to receive treatment on an outpatient basis. If the patient's hospital stay is less than the required minimum, or the patient is treated on an outpatient basis, the health carrier must cover one home visit within a 24-hour period, and an additional home visit if prescribed by the patient's attending physician. The bill also requires notice of this coverage to be provided to enrollees annually.

This bill takes effect July 1, 1998 and applies to all contracts issued on or after July 1, 1998. Any policy issued before July 1, 1998 must comply with the bill's requirements no later than July 1, 1999. The bill sunsets September 30, 2002.

Fiscal Summary

State Effect: If the State chooses to include the bill's mandated coverage for hospitalization and home visits after a mastectomy as part of the State Employee Health Benefit Plan, expenditures could increase by at least $13,700 in FY 1999. Future year expenditures reflect inflation. General fund revenues could increase by an indeterminate minimal amount.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	---	---	---	---	--
GF/SF/FF Expend.*	$13,700	$14,300	$14,900	$15,600	$4,100
Net Effect	($13,700)	($14,300)	($14,900)	($15,600)	($4,100)

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, depending upon the current type of health care coverage offered and number of enrollees. Revenues would not be affected.

Small Business Effect: Minimal.

Fiscal Analysis

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 coverage for hospitalization and home visits after a mastectomy, expenditures could increase by an estimated $13,680 (assumes a mix of 60% general funds, 20% special funds, and 20% federal funds) in fiscal 1999, which accounts for the July 1, 1998 effective date. The medical care costs relating to the bill's mandated coverage for hospitalization and home visits after the removal of a testicle due to testicular cancer is expected to be minimal since average length of stay after the procedure is currently higher than the 48 hours required by this bill.

The $13,680 relating to mastectomies reflects an increase in medical care costs to the State of $13,500 for nine additional days of hospital care and $180 for two home care visits in lieu of hospital care after a mastectomy. The estimate for hospital care assumes: (1) average hospital cost per day of $1,500; (2) patients currently receiving inpatient hospitalization for mastectomies stay at least 48 hours; (3) most patients would prefer inpatient hospitalization when given the option; and (4) there are currently 150,000 State employees, retirees, and dependents under 65 years enrolled in a health plan and this number will remain constant over time. The estimate for home care assumes: (1) the cost per home visit is $90; (2) patients who currently elect an ambulatory procedure receive follow-up visits at a health care facility; and (3) there would be no change in medical care costs if home visits are substituted for follow-up visits at a health care facility. Expenditures would increase further if some patients currently receiving inpatient hospitalization for mastectomies stay less than 48 hours. Any such impact cannot be reliably estimated at this time. Future year expenditures reflect medical cost inflation of 4.4%.

As a result of this bill, future Medicaid capitation rates to managed care organizations (MCOs) could increase to accommodate the increased costs incurred by those MCOs that are

also HMOs. Any increase, however, is expected to be minimal.

State Revenues: Given the data in **Attachment 1** showing the number of ambulatory procedures and number of inpatient hospitalizations of fewer than 48 hours for mastectomies in Maryland, the bill's requirements would increase medical care costs to carriers. Carriers could raise premiums on their health plans, meaning that general fund revenues could increase by an indeterminate minimal amount in fiscal 1999 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 policy must submit the proposed change(s) to the Insurance Administration and pay a $100 rate and form filing fee. It is not possible to reliably estimate the number of insurers who will file new rates and forms as a result of the bill's requirements, since rate and form filings often combine several rate and policy amendments at one time.

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 these benefits as a covered service, the insurance cost for participating small businesses would increase by less than 0.05%. 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. However, small businesses could pass an increase in health insurance premium costs onto their employees.

The bill may generate more business activity for small business nurse staffing agencies. It is assumed that carriers would most likely offer coverage for home visits by nurses. There are approximately 105 nurse staffing agencies licensed in Maryland. To the extent that some of these agencies could be considered a small business and if some home visits are provided by nurses employed by these small business agencies, it would minimally increase revenues for these agencies.

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

Commission); Department of Legislative Services

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Attachment 1

Maryland Inpatient Hospital and Ambulatory Surgery Data for Mastectomies, Lumpectomies, Lymph Node Dissections, and the Removal of a Testicle due to Testicular Cancer

Inpatient Hospital Data for Calender Year 1996			
Procedure	# of Cases	LOS	Avg. Charge
Mastectomy: DRG 257	978	2.64	$5,632
Mastectomy: DRG 258	754	1.77	$4,436
Mastectomy: DRG 259	230	1.93	$4,337
Mastectomy: DRG 260	311	1.20	$3,491
Mastectomy: other DRG	108	7.72	$11,758
Lumpectomy	417	2.64	$5,119
Lymph Node Dissections	649	1.87	$4,483
Removal of Testicle	20	5.30	$8,705
Ambulatory Surgery Data for Calender Year 1996			
Mastectomy	534	0	$1,974
Lumpectomy	2,154	0	$1,513
Lymph Node Dissection	430	0	$1,939
Removal of Testicle	77	0	$1,458

DRG 257: total mastectomy with complications; DRG 258: total mastectomy without complications; DRG 259: subtotal mastectomy with complications; DRG 260: subtotal mastectomy without complications.