Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 332 (Senators Hoffman and Hollinger)
Finance

Health Insurance - Treatment of Morbid Obesity

This bill requires an insurer, a nonprofit health service plan, or an HMO (carrier) to cover treatment of morbid obesity. Carriers must cover established surgical treatment for morbid obesity when all nonsurgical medical therapies have failed and the patient has a body mass index (BMI) of 40, or a BMI of 35 in the presence of hypertension, diabetes, high LDL cholesterol, low HDL cholesterol, or other medical conditions considered by a physician to be potentially remediable by significant weight reduction.

Fiscal Summary

State Effect: Expenditures for the State Employee Health Benefits Plan could increase by an indeterminate minimal amount. Special and general fund revenues could each increase by an indeterminate minimal amount.

Local Effect: Expenditures for local jurisdiction employee health benefits could increase depending upon the current type of health care coverage offered and the number of enrollees. Revenues would not be affected.

Small Business Effect: Potential minimal. Health insurance costs for small businesses and self-employed persons could increase if carriers increase their premiums as a result of this bill.

Fiscal Analysis

State Revenues: Special fund revenues may increase by an indeterminate minimal amount. Carriers who do not currently cover surgical treatments for morbid obesity will have to file new rates and/or forms and be subject to a $125 rate and form filing fee. The number of carriers who will file new rates and forms as a result of the bill's requirements cannot be reliably estimated at this time, because carriers often combine several rate and policy amendments at one time when filing with the Maryland Insurance Administration (MIA).

If carriers increase their premiums as a result of this bill, general fund revenues could increase by an indeterminate minimal amount in fiscal 2001 as a result of the State's 2% insurance premium tax on increased premiums. The State's premium tax is applicable only to for-profit insurance carriers.

State Expenditures: The State Employee Health Benefits Plan currently covers treatment for morbid obesity. Morbid obesity is generally considered a disease process, in which fatty tissue on the body becomes excessive, and interferes with or injures the other bodily organs, causing serious and life-threatening health problems.

In fiscal 1998 the State covered surgical treatment for 12 enrollees in the self-funded portion of the State plan (enrollees in the preferred provider organizations). Eleven of these enrollees were admitted to the hospital for gastric stapling, at an average cost of $11,248 per procedure. This figure includes hospital and physician expenses. It is assumed that physicians referred the enrollees for surgery because the enrollees were experiencing other serious health problems related to being morbidly obese, such as hypertension, diabetes, or high cholesterol. The bill requires carriers to cover surgery for morbidly obese enrollees who may or may not be suffering from related health problems. If the bill's definition of morbid obesity increases the number of surgeries performed, then expenditures for the State Employee Health Benefits Plan could increase by an indeterminate amount in fiscal 2000. Any increase is expected to be minimal.

Information Source(s): Department of Health and Mental Hygiene (Health Care Access and Cost Commission, Medicaid), Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

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