

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE

House Bill 813 (Delegate Barve, *et al.*)

Economic Matters

---

**Health Benefit Plans - Smoking Cessation Coverage**

---

This bill requires an insurer, nonprofit health service plan, and HMO (carriers) to cover any medically appropriate treatment or assistance, including drugs, that an enrollee's treating health care provider certifies is necessary for the enrollee's participation in a smoking cessation program.

The bill's requirements apply to any new policy issued on or after October 1, 1999. Any renewal of a policy in effect before October 1, 1999 must comply with the bill's requirements by October 1, 2000.

---

**Fiscal Summary**

**State Effect:** Indeterminate but potentially significant increase in expenditures for the State Employee Health Benefits Plan. Indeterminate minimal increase in special and general fund revenues.

**Local Effect:** Expenditures for local jurisdiction employee benefits could increase if carriers increase their premiums as a result of this bill.

**Small Business Effect:** Potential meaningful. Health insurance costs for small businesses and self-employed persons could increase if carriers increase their premiums as a result of the bill's requirements.

---

## Fiscal Analysis

**State Revenues:** Special fund revenues could increase by an indeterminate minimal amount in fiscal 2000 because carriers that do not already provide this coverage will be subject to rate and form filing fees. Each affected carrier that reviews its rates and amends its insurance policy must submit the proposed changes(s) to the Maryland Insurance Administration (MIA) and pay 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 MIA.

Medical care costs for some health plans subject to State mandates are expected to increase as a result of this bill. If the increase causes carriers to increase premiums, general fund revenues could increase by an indeterminate minimal amount 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:** Expenditures for the State Employee Health Benefits Plan could increase by an indeterminate but potentially significant amount. The State's prescription plan currently covers nicotine patches and other prescription drugs licensed by the Food and Drug Administration (FDA). The bill is unclear, however, on whether carriers are required to cover all medically-appropriate drug treatments for smoking cessation, which may include over-the-counter medications and services not normally covered by insurance carriers. If over-the-counter drugs are covered under the bill's requirements, the fiscal impact to the State plan could be significant.

---

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

**Fiscal Note History:** First Reader - March 2, 1999  
ncs/jr

---

Analysis by: Susan John

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510