

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 109 (Senator Bromwell)

Finance

Health Insurance - Prescription Drugs - Coverage

This bill prohibits insurers, nonprofit health service plans, and HMOs (carriers) from limiting or excluding coverage for prescription drugs based on whether the particular drug is on the carriers' drug formulary. Carriers must cover prescriptions if the authorized prescriber determines that the drugs included on the carrier's drug formulary have been ineffective in treating the patient's medical condition, or if the prescriber continues to prescribe a drug that previously had been approved for coverage on the carrier's formulary but has now been discontinued.

This bill shall apply to all policies and contracts issued on or after October 1, 1999.

Fiscal Summary

State Effect: Special and general fund revenues could increase by an indeterminate minimal amount in FY 2000. No effect on expenditures.

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: Potential minimal effect. 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 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, including HMOs, that reviews its rates and amends its insurance policy must submit the proposed change(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.

In addition, if there is an increase in prescription costs and carriers consequently 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: The State Employee Health Benefits Plan currently covers both formulary and nonformulary prescription drugs and devices. The bill would not directly affect State expenditures.

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

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