

Department of Legislative Services  
 Maryland General Assembly  
 2000 Session

FISCAL NOTE  
 Revised

Senate Bill 386 (Senators Collins and Bromwell)  
 Finance

**Health Benefit Plans - Coverage for Hair Protheses for Hair Loss Resulting from  
 Chemotherapy or Radiation Treatment for Cancer**

This bill requires health insurers, nonprofit health service plans, and HMOs (carriers) to cover the cost of hair protheses for individuals whose hair loss results from chemotherapy or radiation treatment for cancer. The cost of a prosthesis may not exceed \$350.

The bill applies to all policies and contracts issued or renewed in the State on or after October 1, 2000.

**Fiscal Summary**

**State Effect:** If the State chooses to include the bill’s mandated benefit as part of the State Employee Health Benefits Plan, expenditures could increase by \$58,000 in FY 2001. Future year expenditures grow with annualization and inflation. Minimal general fund revenue increase from the State’s 2% insurance premium tax on for-profit carriers. Minimal special fund revenue increase for the Maryland Insurance Administration from the \$125 rate and form filing fee.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	-	-	-	-	-
SF Revenues	-	-	-	-	-
GF/SF/FF* Exp.	\$58,000	\$82,800	\$88,600	\$94,800	\$101,400
Net Effect	(\$58,000)	(\$82,800)	(\$88,600)	(\$94,800)	(\$101,400)

Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect  
 \*State Employee Health Benefits Plan - assumes a mix of 60% general funds, 20% special funds, and 20% federal funds; and 20% of expenditures are reimbursable through employee contributions.

**Local Effect:** 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. Any increase is expected to be negligible. Revenues would not be affected.

**Small Business Effect:** Potential minimal.

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## Analysis

**Current Law:** Coverage for a chemotherapy hair prosthesis is not currently a mandated benefit.

**Background:** According to the Maryland Health Care Commission's annual report, *Mandated Health Insurance Services Evaluation* (December 1, 1999), the proposed mandate to cover hair prostheses would increase premium costs negligibly. This assumption is based on an annual cancer rate of 22 per 10,000 enrollees and a chemotherapy rate of 26% per cancer case. Assuming that between 25% and 40% of the chemotherapy cases elect to get a hair prosthesis, approximately two enrollees per 10,000 would receive hair prostheses. The average cost of a synthetic hair prosthesis is between \$170 and \$230, while the average cost for a natural hair prosthesis is approximately \$1,000. Assuming an average cost of \$600 per prosthesis, the full annual cost per health plan contract would be less than 0.05% of the annual premium. In addition, many health plans currently cover hair prostheses for chemotherapy patients if the claim is worded as a cranial prosthesis.

**State Expenditures:** Currently, the State Employee Health Benefits Plan does not provide coverage for hair prostheses. The State has both self-insured and fully-insured health plans. The State is not required to cover mandated benefits under its self-insured plans, but it has generally done so in the past.

*Self-insured plans.* If the State chooses to include coverage for this benefit, expenditures could increase by \$58,012 in fiscal 2001, which reflects the October 1, 2000 effective date. This estimate is based on actual State member utilization statistics available from the Comprehensive Health Care Analysis and Management Program (CHAMP) database. The CHAMP database reported that 961 enrollees received chemotherapy treatment during a 12-month period. Assuming that: (1) 46% (442) of the enrollees are enrolled in the self-insured plans; (2) half of them obtain a hair prosthesis; and (3) the cost is \$350 per prosthesis, the estimated expenditure increase would be \$58,012 for fiscal 2001. Future year estimates reflect 7% annual inflation.

*Fully-insured plans.* Any increase in premiums for the State's fully-insured plans is assumed

to be negligible, based on the Maryland Health Care Commission's report on mandated benefits.

**Small Business Effect:** Small businesses (2-50 employees) purchase the Comprehensive Standard Health Benefit Plan (CSHBP), which is exempt from including mandated benefits in its coverage. All carriers participating in the small business market must sell the CSHBP to any small business that applies for it. A small business may purchase riders to expand the covered services. In addition, the Maryland Health Care Commission takes mandated benefits into consideration when reevaluating the CSHBP benefit package. Small business health insurance costs may increase if carriers increase their premiums as a result of this bill. Any increase is expected to be negligible.

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### **Additional Information**

**Prior Introductions:** Similar bills were introduced in the 1998 and 1999 sessions as HB 167 (1999) and HB 47 (1998). Both bills received an unfavorable report from the House Economic Matters Committee.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene (Maryland Health Care Commission, Health Services Cost Review Commission), Maryland Insurance Administration, CareFirst Blue Cross Blue Shield of Maryland, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2000  
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