# Department of Legislative Services

Maryland General Assembly
2000 Session

## FISCAL NOTE
## Revised

Senate Bill 496 (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.

The bill takes effect October 1, 2000.

## Fiscal Summary

**State Effect:** Expenditures for the State Employee Health Benefits Plan could increase by a minimal amount. 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.

**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. 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, but 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.

## Analysis

**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 in fiscal 2001. Any increase is expected to be minimal.

## Additional Information

**Prior Introductions:** An identical bill was introduced in the 1999 session as SB 332. It was not reported from the Senate Finance Committee.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene (Office of Health Care Quality), Department of Legislative Services

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