

# Department of Legislative Services

Maryland General Assembly

2000 Session

## FISCAL NOTE

### Revised

Senate Bill 518 (Senator Van Hollen. *et al.*)

Finance

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#### Health Benefit Plans - Smoking Cessation - Coverage

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This bill requires a health insurer, nonprofit health service plan, Medicaid managed care organization, or HMO (carrier) to provide, coverage for a smoking cessation program. The carrier must cover up to three quit attempts per enrollee. A quit attempt is defined as a smoking cessation program that provides: (1) at least two office visits with a health care provider; (2) one follow-up phone call from the treating provider; (3) a two-month supply of prescription drugs approved for smoking cessation purposes by the Food and Drug Administration; and (4) two months of prescribed counseling or smoking cessation classes.

The bill's requirements must be considered as part of the Department of Health and Mental Hygiene's review of managed care organizations' (MCO) payment schedules and payments to MCOs must be adjusted annually to reflect any additional costs incurred due to the bill's requirements.

The bill's requirements apply to all policies, contracts, and health benefits plan issued, delivered, or renewed in the State on or after October 1, 2000.

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#### Fiscal Summary

**State Effect:** \$37,500 increase for the State Employee Health Benefits Program. Negligible expenditure increase for the Medicaid program. 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	-	-	-	-	-
FF Revenues	-	-	-	-	-

**Local Effect:** Expenditures for local jurisdiction employee health benefits could increase if carriers raise their premiums as a result of the bill's requirements. Revenues would not be affected.

**Small Business Effect:** Potential minimal.

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## Analysis

**Current Law:** Smoking cessation programs are not a mandated benefit.

**Background:** In the Maryland Health Care Commission's (MHCC) 1999 annual report, *Mandated Health Insurance Services Evaluation* (December 1, 1999). The proposed mandated benefit of smoking cessation programs was addressed. According to this report, approximately 24.7% of American adults were smokers in 1995. In Maryland, the smoking rate is about 21% of the adult population. MHCC's report assumed that 4.2% of smokers enrolled in a health benefit plan would participate in a covered smoking cessation program. It also assumed that the annual cost per participant is about \$200 for the Smoke Free Maryland definition of a smoking cessation program, which is similar to the bill's requirements for a smoking cessation program. This estimate assumes three attempts to quit per year.

### State Expenditures:

#### *State Employee Health Benefits Plan*

The State plan does cover physician office visits and prescription drugs used for smoking cessation but does not provide coverage for counseling for smoking cessation. Several of the HMOs participating under the State plan offer smoking cessation classes, even though this is not a required benefit under the State plan. The State plan 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 \$37,500 in fiscal 2001, which reflects the bill's October 1, 2000, effective date. This estimate is based on the following facts and assumptions.

their eligible dependents;

- approximately 46%, or 115,000, are enrolled in the self-insured plans;
- assuming that 21% of State enrollees smoke, and that 4.2% of these smokers would enroll in smoking cessation programs, approximately 1,000 individuals would take advantage of this benefit; and
- MHCC assumes an average cost of \$200 per enrollee for participation in a smoking cessation program. Since the State already offers most of the required services, it is assumed that the cost per State enrollee is \$50.

Future year estimates reflect annualization and 6% health care inflation.

#### *Fully-insured plans*

Any increase in premiums for the State's fully-insured plans is assumed to be minimal.

#### *Medicaid*

Medicaid advises that the fiscal impact on its program is indeterminate. Prescription drugs used for smoking cessation are covered under Medicaid, and MCOs are also required to provide smoking cessation education for pregnant women. Counseling or smoking cessation classes are not provided.

Legislative Services advises that Medicaid expenditures would increase negligibly under the bill's requirements. It is estimated that the actual cost to provide smoking cessation coverage to Medicaid enrollees would be \$140,625 in fiscal 2001. However, Medicaid would not pay these costs directly. Instead, Medicaid must negotiate new premiums with the MCOs that reasonably reflect smoking cessation coverage. The fiscal 2001 budget allowance for Medicaid's HealthChoice MCOs is approximately \$922 million; therefore, the \$140,625 additional cost to cover smoking cessation programs would not materially affect MCO premiums.

The \$140,625 estimate of actual costs to provide smoking cessation benefits to MCO enrollees is based on the following facts and assumptions.

- there are approximately 212,500 adults enrolled in Medicaid;
- assuming that 21% of Medicaid enrollees smoke, and that 4.2% of the smokers would enroll in smoking cessation programs, approximately 1,875 individuals would take

- MHCC assumes an average cost of \$200 per enrollee for participation in a smoking cessation program. Since Medicaid already offers many of the required services, it is assumed that the cost per enrollee is \$100.

**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:** A similar bill, HB 813, was introduced in the 1999 session. It received an unfavorable report from the Environmental Matters Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 23, 2000  
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