

**Department of Legislative Services**  
**Maryland General Assembly**  
**2001 Session**

**FISCAL NOTE**

House Bill 50            (Delegate Conroy)  
Economic Matters

**Health Insurance - Coverage for Hair Prosthesis for Hair Loss Resulting from Alopecia**

This bill requires health insurers, nonprofit health service plans, and HMOs (carriers) to cover the cost of one hair prosthesis for an individual whose hair loss results from alopecia. The cost of the hair prosthesis may not exceed \$350.

This bill applies to all policies, contracts, and health benefit plans issued or renewed in the State on or after October 1, 2001.

**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 \$21,100 in FY 2002. 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 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF/FF Exp.*	21,100	31,600	35,300	39,600	44,300
Net Effect	(\$21,100)	(\$31,600)	(\$35,300)	(\$39,600)	(\$44,300)

*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.

---

## Analysis

**Current Law:** Coverage for a hair prosthesis for individuals whose hair loss results from alopecia areata is not currently a mandated benefit. Carriers must cover the cost of hair prostheses for individuals whose hair loss results from chemotherapy or radiation treatment for cancer.

**Background:** Alopecia areata is an autoimmune skin disease that results in the loss of hair on the scalp and elsewhere on the body. This disease affects 1% to 2% of the population in the United States. In most cases, alopecia manifests itself as a single bald patch, approximately one or two centimeters in diameter. This patch may develop in any hair-bearing area of the body, but most frequently develops on the scalp. The patch may expand in size, or other patches may appear elsewhere. Hair loss may continue for several years with some regrowth.

Treatments for alopecia areata include the topical application of minoxidil, cortisone injections, and taking cortisone orally. Treatments are most effective for milder cases of alopecia areata.

**State Fiscal Effect:** Currently, the State Employee Health Benefits Plan does not provide coverage for hair prostheses for individuals with alopecia areata. Treatment for alopecia areata is considered cosmetic and not medically necessary under the State plan. The State has both self-insured and fully-insured 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 \$21,100 in fiscal 2002, which reflects the October 1, 2000 effective date. This estimate is based on following facts and assumptions:

- 2,500 (1% of current enrollment) State plan enrollees may have some degree of alopecia areata;
- 7% of individuals suffering from alopecia have extensive or total hair loss and will purchase a hair prosthesis;
- 46% of State plan enrollees are enrolled in the self-insured plans; and

- the cost of a hair prosthesis is \$350 per prosthesis.

Future year estimates reflect annualization and 12% annual health care inflation.

*Fully-insured plans.* Any increase in premiums for the State's fully-insured plans is assumed to be minimal given the small number of individuals who may wish to purchase hair prostheses.

**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.

---

### **Additional Information**

**Prior Introductions:** None. A similar bill (House Bill 22, Chapter 326) was passed in the 2000 session, mandating coverage for hair prostheses for individuals whose hair loss results from chemotherapy or radiation treatment for cancer.

**Cross File:** None.

**Information Source(s):** National Alopecia Areata Foundation, Department of Budget and Management (Employee Benefits Division), Maryland Insurance Administration, Department of Health and Mental Hygiene (Community Public Health Administration), Department of Legislative Services

**Fiscal Note History:** First Reader – January 23, 2001  
ef/cr

---

Analysis by: Susan D. John

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