HB 675

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 675 (Delegate Goldwater)
Economic Matters Finance

Health Insurance - Treatment of Morbid Obesity

This bill requires an insurer, a nonprofit health service plan, an HMO, or a Medicaid managed care organization (carrier) to cover treatment of morbid obesity. Carriers must cover gastric bypass surgery or another surgical method that is recognized by the National Institutes of Health (NIH) as effective for the long-term reversal of morbid obesity and consistent with criteria approved by NIH.

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

Fiscal Summary

State Effect: State Employee Health Benefits Plan expenditures and Medicaid expenditures could increase by a minimal amount beginning in FY 2002. 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.

Analysis

Current Law: Treatment for morbid obesity is not a mandated benefit.

Background: According to the Maryland Health Care Commission's annual report, *Mandated Health Insurance Services Evaluation* (December 1, 2000), the proposed mandate could increase health insurance premiums by 0.5%. Approximately 1.5% to 2.0% of the American population is morbidly obese and approximately 0.5% to 1.0% of morbidly obese patients elect to have surgery, at an average cost of $20,000 per procedure. The report projects that utilization levels could quadruple if this coverage became a mandated benefit.

State Fiscal Effect: The State Employee Health Benefits Plan currently covers treatment for morbid obesity. To the extent that utilization increases under the bill's requirements, State plan expenditures could increase in fiscal 2002. Any increase is expected to be minimal. State plan expenditures assume a fund mix of 60% general funds, 20% federal funds, and 20% special funds; and 20% of expenditures are reimbursable through employee contributions.

Medicaid expenditures (50% federal, 50% general funds) could increase to the extent that utilization increases under the bill's requirements. Any increase is expected to be minimal.

Small Business Effect: Small businesses (up to 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 (MHCC) takes mandated benefits into consideration when reevaluating the CSHBP benefit package.

Additional Information

Prior Introductions: Similar bills were introduced in the past two sessions. SB 496 of 2000 passed the Senate and was reported favorably from the House Economic Matters Committee. SB 332 of 1999 was not reported from the Senate Finance Committee.

Cross File: SB 522 (Senator Hoffman, *et al.*) – Finance.

Information Source(s): *Annual Review of the Comprehensive Standard Health Benefit Plan* (October 25, 2000), Maryland Health Care Commission; *Mandated Health Insurance Services Evaluation* (December 31, 2000), Maryland Health Care Commission; Department of Health and Mental Hygiene (Medicaid); Department of Budget and Management (Employee Benefits Division); Department of Legislative Services

Fiscal Note History: First Reader – March 1, 2001
ncs/jr Revised – House Third Reader – March 28, 2001

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