

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

FISCAL NOTE

House Bill 676 (Delegate Goldwater)
Economic Matters

**Health Insurance - Covered Health Care Services - Underlying Medical
Conditions**

This bill requires a health insurer, nonprofit health service plan, HMO, or Medicaid managed care organization (carrier) to provide coverage for treatment of an underlying medical condition prescribed by an enrollee's health care practitioner if the practitioner determines the prescribed health care service is medically necessary for the treatment of a covered health care service.

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 a minimal amount in FY 2002. Minimal Medicaid expenditure increase. 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 meaningful.

Analysis

Current Law: Coverage of treatment for an underlying medical condition is not a mandated benefit.

State Fiscal Effect: The State Employee Health Benefits 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. If the State plan chooses to include coverage for this mandated benefit, plan expenditures could increase. There are insufficient data at this time to reliably estimate any increase because it is unknown what types of underlying conditions could be covered. Since the bill specifies that the mandated benefit does not create an additional covered service a carrier must provide, any increase in State plan expenditures is assumed 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 assumed 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.

This bill requires that the mandated benefit be included in the CSHBP. To the extent that the mandated benefit causes carriers to increase their premiums, small business health insurance costs could increase. In addition, MHCC is required to exclude or limit benefits or adjust the cost-sharing arrangements in the CSHBP if the average premium rate for the plan exceeds 12% of Maryland's average annual wage. According to MHCC's 2000 study of the CSHBP, the ratio of the average premium to the rate ceiling in 1999 was 88.3%. With no changes to the CSHBP benefit structure, this ratio is expected to increase to 97.5% of the rate ceiling in 2001 because premium rates are expected to increase at a higher rate than Maryland's average annual wage. Inclusion of any mandated benefit in the CSHBP may require the MHCC to reduce other available benefits or increase cost-sharing requirements for enrollees in order to keep the average premium rate below 12% of Maryland's average annual wage.

Additional Information

Prior Introductions: None.

Cross File: SB 521 (Senator Hoffman) – 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
ef/jr

Analysis by: Susan D. John

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