

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 457
Economic Matters

(Delegate K. Kelly)

Health Insurance - Coverage for Durable Medical Equipment

This bill requires an insurer, nonprofit health service plan, and HMO (carrier) to cover medically necessary durable medical equipment that is prescribed by a physician. The coverage may be subject to annual deductibles or coinsurance requirements imposed by a carrier. The annual deductibles or coinsurance requirements imposed for durable medical equipment cannot be greater than those imposed for similar coverage.

The bill applies to all policies and contracts 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 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 by an indeterminate amount depending upon the current type of health care coverage offered and number of enrollees. Revenues would not be affected.

Small Business Effect: Potential minimal.

Analysis

Current Law: Coverage for durable medical equipment is not a mandated benefit.

Background: Durable medical equipment includes items such as wheelchairs, hospital beds, post-operative shoes, casts, splints, and traction devices.

State Fiscal Effect: The State 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.

The State plan provides coverage for durable medical equipment. The plan does not require any copayments or coinsurance, although the State plan must preauthorize coverage for a particular item. Part of the preauthorization process includes making a determination of medical necessity.

To the extent that the bill's requirements erode the State plan's ability to make the determination of medical necessity for durable medical equipment under its self-insured plans, State expenditures could increase. There are insufficient data at this time to reliably estimate any increase.

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.

The CSHBP currently provides coverage for durable medical equipment. To the extent the bill's requirements erode a carrier's ability to determine medical necessity or change a policy's copayment or coinsurance requirements, small business expenditures for employee health insurance could increase. Any increase is expected to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Employee Benefits Division), *Comprehensive Standard Health Benefit Plan*, Maryland Health Care Commission, Department of Legislative Services

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