

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 891
Economic Matters

(Delegates Turner and Nathan-Pulliam)

Health Insurance - Mental Illness - Coverage Period for Children

This bill provides that if a health insurance policy covers inpatient treatment of acute or chronic mental illness at a hospital or residential treatment facility for children, the coverage must extend from the date of admission to the facility to the date when the child becomes potentially eligible for Medicaid coverage.

Fiscal Summary

State Effect: Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from MIA's \$125 rate and form filing fee. Minimal general fund revenue increase from the State's 2% premium tax. No effect on expenditures.

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: Maryland's mental health mandate requires a health insurer, nonprofit health services plan, or HMO (carrier) to provide coverage for mental health services on the same terms as physical illness. Mental health benefits may be provided through a carrier's managed care system. Carriers subject to State regulation must include a minimum of 60 days partial hospitalization for mental illness under the same terms and conditions that apply to the benefits available under the contract for physical illnesses. A

carrier is not required to cover inpatient treatment of mental illness for a child from the date of admission to the date when the child becomes eligible for Medicaid.

Background: Children admitted to a residential treatment center (RTC) for mental illness treatment generally stay in the RTC for 30 days to one year. If a child resides in an RTC for more than 30 days, he or she is considered a “family of one” for the purposes of determining Medicaid eligibility. Once Medicaid eligibility is determined, Medicaid will pay for coverage dating back to the first of the month in which a child became eligible for Medicaid coverage. Often, this process leads to gaps in coverage if an insurance policy only pays for a few days of inpatient treatment, depending on the initial date of hospitalization or inpatient treatment.

According to the Maryland Health Care Commission (MHCC), the annualized full cost of Maryland’s current mental health mandated benefit is \$265 per group policy. The commission estimates that this cost represents 4.7% of the full cost per group policy. Maryland’s mental health mandate currently is the most costly mandated health insurance benefit analyzed by MHCC.

State Fiscal Effect: The State Employee Health Benefits Plan currently provides inpatient mental health treatment coverage for children under an enrollee’s medical plan. Under the Preferred Provider Option (PPO) and Point-of-Service (POS) plan, there is no limit on the number of days covered under the State plan if treatment is medically necessary. Under the HMO option, inpatient treatment up to 365 days is covered if treatment is approved by the HMO. Accordingly, the bill’s requirements have no impact on the State plan.

Small Business Effect: Small businesses (fewer than 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 inpatient mental illness and substance abuse services provided through a carrier’s managed care system up to a maximum of 25 days per covered person per year in a hospital or related institution. Small business health insurance costs may increase if carriers increase their premiums as a result of this bill. Any increase is assumed to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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