HB 896

Department of Legislative Services

Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 896 (Delegate Rosenberg, *et al*.)
Economic Matters Finance

Health Insurance - Mental Illness - Coverage for Residential Crisis Services

This bill requires a health insurer, nonprofit health service plan, or HMO (carrier) that provides hospital, medical, or surgical benefits to individuals or groups to provide coverage for medically-necessary residential crisis services. These services may be delivered under a managed care system.

The bill's provisions apply to all policies, contracts, and health benefit plans issued, delivered, or renewed in the State on or after October 1, 2002.

Fiscal Summary

State Effect: State Employee Health Benefits Plan expenditures could increase by an estimated $252,000 in FY 2003. Future year estimates reflect annualization and inflation. Potential expenditure reduction for the Department of Health and Mental Hygiene (DHMH). Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from MIA's $125 rate and form filing fee in FY 2003 only. Minimal general fund revenue increase from the State's 2% premium tax.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	-	-	-	-	-
SF Revenue	-	0	0	0	0
GF/FF Exp.	(-)	(-)	(-)	(-)	(-)
GF/SF/FF Exp.	252,000	376,300	421,500	472,100	528,700
Net Effect	($252,000)	($376,300)	($421,500)	($472,100)	($528,700)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local jurisdiction expenditures for employee health benefits could increase if carriers increase their premiums as a result of the bill's requirements.

Small Business Effect: Potential minimal.

Analysis

Current Law: Maryland's mental health mandate requires health insurers, nonprofit health services plans, and HMOs to provide coverage 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. For outpatient services, carriers must provide coverage for mental illnesses, emotional disorders, drug or alcohol abuse at a rate (after deductibles) that is not less than:

- 80% coverage for the first 5 visits in one calendar year;
- 65% coverage of 6-30 visits; and
- 50% coverage for visits beyond 30.

The illness must be treatable and the treatment must be medically necessary.

State Fiscal Effect:

State Employee Health Benefits Plan: State plan expenditures could increase by an estimated $252,000 in fiscal 2003. 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 has both self-insured and fully-insured health plans.

Self-Insured Health Plans: State expenditures under the self-insured plans may increase by $252,000 in fiscal 2003, which reflects the bill's October 1, 2002 effective date. This estimate is based on the following facts and assumptions:

- four enrollees per month will use residential crisis services;
- the average length of stay per enrollee is seven days; and
- the average daily rate is $400 and the average daily physician rate is $600.

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

Fully-Insured Health Plans: State expenditures under the fully-insured plans may increase by a minimal amount. There are insufficient data at this time to reliably estimate any increase in premiums charged to the State plan.

State plan expenditures assume a fund mix of 60% general funds, 20% federal funds, and 20% special funds; 20% of expenditures are reimbursable through employee contributions.

Department of Health and Mental Hygiene: DHMH, through the Mental Hygiene Administration, pays for residential treatment programs, rehabilitative services, and crisis intervention services for Medicaid enrollees and certain other individuals who are ineligible for Medicaid coverage. To the extent the bill's provisions shift costs from DHMH to private carriers, DHMH expenditures (general and federal funds) could decrease. There are insufficient data at this time to reliably estimate any savings.

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, but 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.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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