

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 679 (Delegate Mitchell)
Economic Matters

Health Insurance - Small Group Market - Prescription Drug Coverage

This bill requires the Maryland Health Care Commission (MHCC), when determining the benefit package for the Comprehensive Standard Health Benefit Plan (CSHBP) sold to small employers, to limit the annual prescription drug benefit to \$4,000 or less per individual.

Fiscal Summary

State Effect: The bill would not substantively change State activities or operations.

Local Effect: None.

Small Business Effect: Potential minimal. Premiums in the small group market may be reduced if any prescription drug benefit savings result from the bill's requirements. However, limiting prescription drug benefits for very medically-needy enrollees could increase medical costs elsewhere under the plan. Any savings or increases cannot be reliably estimated at this time.

Analysis

Current Law: The CSHBP was established in 1994 as a result of health care reforms adopted by the General Assembly to provide better access to coverage in the small group market. The CSHBP is a standard health benefit package that carriers must sell to small businesses (fewer than 50 employees). The CSHBP includes guaranteed issuance and renewability, adjusted community rating with rate bands, and the elimination of pre-existing condition limitations. In order to maintain affordability, the average CSHBP premium rate per employee must remain below 12% of Maryland's average annual wage. In 2000, Maryland's average annual wage was \$36,512.

Background: In 2000, the CSHBP was sold to 65,000 businesses and covered 469,000 employees and their eligible dependents. The CSHBP offers a standard, minimum benefit package for small businesses, and businesses may choose to purchase riders that provide additional benefits or reduce deductible or copayment levels.

On January 15, 2001, MHCC reported to the House Economic Matters Committee that reducing the prescription drug benefit for policies in the small group market would not result in substantial premium reduction (see **Exhibit 1**). These estimates are based on a 2002 total plan cost, excluding riders, of \$3,520.

Exhibit 1

<u>Prescription Drug Benefit Cap Maximum</u>	<u>Annual Premium Reduction Per Employee</u>	<u>Percentage of Enrollees Exceeding Coverage Gap</u>
\$500	\$290 (8% of average premium)	30%
\$1,000	\$155 (4%)	17%
\$2,000	\$55 (2%)	6%
\$4,000	\$25 (0.7%)	1%

Additional Information

Prior Introductions: A similar bill, HB 297, was introduced in the 2000 session, but was reported unfavorably by the House Economic Matters Committee.

Cross File: None.

Information Source(s): *Prescription Drug Advisory Committee Report* (1999), Maryland Health Care Commission; *Small-Group Health Insurance Market Reforms in Maryland* (February 19, 2002), Health Management Associates; Department of Health and Mental Hygiene (Maryland Health Care Commission, Health Services Cost Review Commission); Maryland Insurance Administration; Department of Legislative Services

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