

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 340 (Delegate Stern, *et al.*)
 Health and Government Operations

Health Insurance - Child Wellness Services - Obesity

This bill requires a medical insurance policy, group or blanket health insurance policy, and nonprofit health service plan to cover services related to the prevention and treatment of and counseling for obesity in children under the age of 18.

The bill's provisions apply to all policies, contracts, and health benefit plans issued, delivered, or renewed in the State on or after July 1, 2004. The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: State Employee and Retiree Health and Welfare Benefits plan expenditures would increase by \$30,400 in FY 2005 (all funds). Future year estimates reflect annualization and inflation. Potential minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2005. Minimal general fund revenue increase from the State's 2% insurance premium tax on for-profit carriers, beginning FY 2005.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	18,200	40,700	45,500	50,800	56,800
SF Expenditure	6,100	13,600	16,200	16,900	18,900
FF Expenditure	6,100	13,600	15,200	16,900	18,900
Net Effect	(\$30,400)	(\$67,900)	(\$76,900)	(\$84,600)	(\$94,600)

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

Local Effect: To the extent carriers increase premiums as a result of the bill's requirements, expenditures for local government employee health benefits could increase. Any increase is expected to be negligible. No effect on revenues.

Small Business Effect: Potential minimal.

Analysis

Current Law: A medical insurance policy, group or blanket health insurance policy, and a nonprofit health service plan must provide coverage for certain child wellness services. At minimum, child wellness services include: (1) childhood and adolescent immunizations; (2) exams for hereditary and metabolic newborn screening; (3) universal hearing screening of newborns; (4) age-appropriate screening tests for tuberculosis, anemia, lead toxicity, hearing, and vision; (5) a physical examination, developmental assessment, and parental anticipatory guidance services; and (6) any laboratory tests considered necessary by the physician for these wellness services. A policy or plan may not impose a deductible on child wellness services coverage.

Background: In the last 20 years, the number of obese children in the U.S. has doubled to one in five children. Childhood obesity can lead to various other health problems, including diabetes, high cholesterol, coronary artery disease, and even depression.

The Maryland Health Care Commission (MHCC) conducts an annual study of mandated health benefits. According to its January 15, 2004 report, there are 40 required health insurance benefits for services that carriers must include. On average, these mandated health benefits account for 15% of a health insurance policy premium's total cost. The current child wellness services mandated benefit accounts for 0.7% of the premium's total cost. While fully-insured large group policies and individual policies are required to provide this mandated benefit, almost all self-funded large group policies also voluntarily provide child wellness services. According to MHCC's annual report on mandated benefits, adding a childhood obesity services benefit would increase premiums \$0.60 per employee contract.

State Fiscal Effect: If the State Employee and Retiree Health and Welfare Benefits Plan (State plan) chooses to cover this mandated health benefit, expenditures could increase by \$30,386 in fiscal 2005. 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. If the State chooses to adopt a mandated benefit, it would most likely offer coverage to all State employees, regardless of whether they are enrolled in the self-insured Preferred Provider Option, Point-of-Service plans (POS), or the fully-insured HMO.

The information and assumptions used in calculating the estimate are stated below:

- there are 101,286 State employees and retirees enrolled in the State plan;

- the cost of adding this benefit is \$0.60 per employee/retiree contract;
- new premiums would be put into effect on January 1, 2005; and
- future year estimates reflect annualization and 11.7% health insurance inflation in the State plan.

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.

Small Business Effect: Small businesses (50 or fewer 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 CSHBP to any small business that applies for it. A small business may purchase riders to expand the covered services. In addition, MHCC 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. Any increase is expected to be negligible.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Study of Mandated Health Insurance Services, A Comparative Study*, January 15, 2004, Maryland Health Care Commission; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Budget and Management (Employee Benefits Division); Department of Legislative Services

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