

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 454

(Senator Hafer)

Finance

Health Insurance - Health Insurance Benefit Cards

This bill requires a health insurer, nonprofit health service plan, HMO, and Medicaid managed care organization (carrier) to provide enrollees with a health insurance benefit card that includes specified data elements.

The bill takes effect October 1, 2005.

Fiscal Summary

State Effect: Medicaid expenditures could increase by about \$1.5 million (50% general funds, 50% federal funds) in FY 2006 and State Employee and Retiree Welfare and Health Benefits Plan expenditures (all funds) could increase by \$50,700. Future year estimates reflect new enrollment, data changes and subsequent reissue of cards, and inflation.

| (in dollars) | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|----------------|---------|---------------|-------------|-------------|-------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 0 | 724,500 | 220,400 | 222,600 | 224,900 |
| FF Expenditure | 0 | 724,500 | 220,400 | 222,600 | 224,900 |
| GF/SF/FF Exp. | 0 | 50,700 | 53,700 | 56,400 | 59,200 |
| Net Effect | \$0 | (\$1,499,700) | (\$494,500) | (\$501,600) | (\$509,000) |

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

Local Effect: To the extent carriers incur additional administrative costs and increase premiums, expenditures for local jurisdiction employee health benefits could increase. Any increase is expected to be minimal. Revenues would not be affected.

Small Business Effect: Potential minimal. To the extent carriers incur additional administrative costs and increase premiums as a result, expenditures for small business health benefits could increase.

Analysis

Bill Summary: The health insurance benefit card must include: (1) the carrier's name or identifying trademark, or if another person administers the benefits, the administrator's name or trademark; (2) the enrollee's name and identification number; (3) the guarantor employer's name, if applicable; (4) the type of delivery system; (5) the effective date of coverage; (6) any applicable copayments or deductibles; (7) the telephone number that providers may call for assistance; and (8) all electronic transaction routing information and other numbers required by the carrier to process a claim electronically.

If a carrier contracts with an administrator, the carrier must require the administrator to comply with these provisions. The carrier must issue the card to the enrollee annually. If any of the data elements change, a carrier must issue a corrected card. The Department of Health and Mental Hygiene (DHMH) must adopt regulations to enable managed care organizations (MCOs) to comply with the bill's provisions.

Current Law: Chapter 416 of 2001 requires an insurer, nonprofit health service plan, HMO, or MCO (carrier) to issue a health insurance benefit card, prescription benefit card, or other technology that either complies with the standards set forth in the National Council for Prescription Drug Program's pharmacy identification card or includes the following data elements: (1) the carrier's name; (2) the enrollee's name and identification number; (3) the telephone number that providers may call for pharmacy benefit assistance; and (4) all electronic transaction routing information required by the carrier to process a prescription claim electronically.

State Fiscal Effect:

Medicaid: Medicaid expenditures could increase by \$1,449,000 (50% general funds, 50% federal funds) in fiscal 2006, which reflects the bill's October 1, 2005 effective date. This estimate assumes the bill's provisions apply to all health benefits offered by an MCO and its third party administrators. Currently, MCOs contract with pharmacy benefits managers and dental benefit providers to provide specialized health care. The information and assumptions used in calculating the estimate are stated below:

- there are 450,000 enrollees in HealthChoice MCOs;
- the cost of issuing a new card is \$0.75;
- each enrollee must be issued one new card for MCO enrollment, one for dental benefits, and one card for pharmacy benefits;
- 132,000 individuals will enroll in the dental program; and
- there are approximately 450,000 changes in information annually.

| | |
|--|--------------------|
| MCO Enrollment Cards | \$337,500 |
| Pharmacy Benefits Cards | 337,500 |
| Dental Benefits Cards | 337,500 |
| Dental Enrollee Turnover | 99,000 |
| Annual Changes | <u>337,500</u> |
| Total Medicaid FY 2006 Expenditures | \$1,449,000 |

The Medicaid population is very transient, often dropping out of or enrolling in the program throughout the year. Currently, MCOs enroll approximately 11,000 new people per month, although the overall enrollment remains fairly stable. MCOs already issue medical and pharmacy cards to all new enrollees. The bill only requires the cost of the initial issuance of compliant cards for these benefits, and there are no additional costs to cover enrollee turnover throughout the year. However, since MCOs do not currently issue dental benefit cards, there are additional costs for issuing dental cards to approximately 11,000 new enrollees per month. Future year expenditures reflect annual changes, ongoing dental enrollee turnover, and 1% annual inflation in card costs.

State Employee and Retiree Health and Welfare Benefits Plan (State plan): State plan expenditures could increase by \$50,650 in fiscal 2006, which reflects the bill's October 1, 2005 effective date. This estimate assumes the bill's provisions only apply to health insurance benefits and not to carved-out benefits such as the prescription drug plan and dental plans, which are not administered by the types of carriers specified in the bill. The information and assumptions used in calculating the estimate are stated below:

- there are 101,300 enrollees in the State plan; and
- the cost of issuing a new card is \$0.50.

The State plan enrollment is very stable, with little turnover compared to the Medicaid program. However, the State plan generally does not currently issue new cards annually. Future year estimates assume: (1) new cards for all enrollees are issued annually; (2) approximately 5% of the enrollees annually will require a new card due to a data change; and (3) reflect 1% annual inflation.

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.

Additional Information

Prior Introductions: None.

Cross File: HB 1058 (Delegates Kach and Elliott) – Health and Government Operations.

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

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