HB 505

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 505 (Delegate Pendergrass, *et al.*)
Health and Government Operations

Health Insurance - Coverage for Clinical Services in a Residential Treatment Center

This bill requires a health insurer, nonprofit health service plan, or HMO (carrier) to provide coverage for medically necessary clinical services provided to a child in a licensed and accredited residential treatment center (RTC).

Fiscal Summary

State Effect: Medicaid expenditures could decrease by $900,000 (50% general funds, 50% federal funds) in FY 2005. State Employee and Retiree Health and Welfare Benefit Plan expenditures could increase by $501,400 in FY 2005. Potential minimal general fund revenue increase from the 2% premium tax on for-profit insurers beginning FY 2005. Potential minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the $125 rate and form filing fee in FY 2005. The review of additional rate and form filings could be handled with existing MIA budgeted resources.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	$0	$0	$0	$0	$0
GF Expenditure	(450,000)	(639,000)	(680,500)	(724,800)	(771,900)
FF Expenditure	(450,000)	(639,000)	(680,500)	(724,800)	(771,900)
GF/SF/FF Exp.	501,400	1,120,200	1,251,300	1,397,700	1,561,200
Net Effect	$398,600	$157,800	$109,700	$51,900	($17,400)

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

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

Bill Summary: An RTC must separate the costs of clinical services from the costs of residential and educational services when submitting a claim for payment to a carrier.

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, 2004. Any policy, contract, or health benefit plan in effect before October 1, 2004 must comply with the provisions by October 1, 2005.

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 conditions that apply to the benefits available under the contract for physical illnesses.

Background: An RTC is a psychiatric institution that provides campus-based intensive and extensive evaluation and treatment of children and adolescents with severe and chronic emotional disturbances who require a self-contained therapeutic, educational, and recreational program in a residential setting. Children admitted to an 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. The average gap in coverage is 15 days without Medicaid coverage.

The Department of Health and Mental Hygiene contracts with 14 RTCs in the State and four out-of-state. For fiscal 2003, the Medicaid reimbursement rates ranged from $183 to $367 per day. The Maryland Disability Law Center indicates that Maryland RTCs cost $500 per day on average.

The Maryland Health Care Commission (MHCC) conducted a study on a proposed mandated health benefit for RTC coverage for children. Requiring a carrier to cover RTCs would eliminate the need for parents to enroll a child in Medicaid to get coverage and should remove the delay in payments to RTCs. MHCC estimates that two in every

10,000 privately-insured children require an RTC admission, averaging 55 days per 1,000 children. At an average of $400 per day, the annual cost per child is $22. Using an average of 0.6 children per contract, the cost per contract is $13.20, or 0.2% of the annual premium.

State Fiscal Effect:

Medicaid: Medicaid expenditures could decrease by approximately $900,000 (50% general funds, 50% federal funds) in fiscal 2005, which reflects the bill's October 1, 2004 effective date. The information and assumptions used in calculating the estimate are stated below:

- there are 1,000 Medicaid-eligible children who have an RTC stay each year;
- approximately 100 Medicaid-eligible children also have private insurance;
- Medicaid's average annual cost per child is $120,000; and
- approximately 10% of total costs are clinical services that would be covered by the child's private insurance under the bill's provisions.

Future year expenditure reductions reflect annualization and 6.5% medical inflation in the Medicaid program.

State Employee and Retiree Health and Welfare Benefit Plan (State plan): If the State plan chooses to cover this mandated health benefit, expenditures could increase by $501,435 in fiscal 2005, which reflects new premiums that go into effect January 1, 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. There are currently 101,300 enrollees, or contracts, in the State plan. Based on the MHCC study of this mandated health benefit, the average annual cost per contract is $13.20. MHCC estimates 25% of the cost of care is already covered by most health plans; therefore the marginal cost per contract is $9.90. Future year expenditures 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; 20% of expenditures are reimbursable through employee contributions.

Additional Information

Prior Introductions: A similar bill, HB 891, was introduced in the 2002 session. The House Economic Matters Committee reported the bill unfavorably.

Cross File: None.

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

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ncs/jr

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