

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE

House Bill 1305  
Appropriations

(Delegates Bohanan and Eckardt)

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State Employee and Retiree Health and Welfare Benefits Program - Alternative  
Medicine Integration

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This bill requires the State Employee and Retiree Health and Welfare Benefits Program (State plan) to integrate alternative medicine, including acupuncture, chiropractic, and massage therapy, into the State plan benefits package. The “integration of alternative medicine” includes: (1) provider profiling to analyze each provider’s clinical outcomes and cost effectiveness; (2) provider credentialing; (3) utilization review and medical case management; and (4) patient education about alternative medicine. The Secretary of Budget and Management may contract with a private organization to integrate alternative medicine into the State plan. By September 1 annually, the Department of Budget and Management (DBM) must report to the General Assembly on the clinical and cost effectiveness of the integration of alternative medicine.

The bill takes effect January 1, 2006.

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Fiscal Summary

**State Effect:** Potentially significant impact on State plan expenditures beginning in FY 2007. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** The Secretary of Budget and Management administers the State plan and specifies the types of benefit options included in the State plan as well as the types or categories of State employees and retirees who are allowed to participate.

**Background:** According to a 2003 study published in the *Journal of the American Medical Association*, visits to complementary medicine practitioners (including acupuncturists, massage therapists, naturopaths, and chiropractors) increased by 47% from 1990 to 1997 (427 million to 629 million), thus surpassing total visits to all U.S. primary care physicians. In a 2000 survey of Fortune 200 companies, more than 76% of respondents said they offered some form of complementary health care as part of their benefits package, citing high employee demand. Among plans offering alternative care, about 66% featured a chiropractic benefit, 31% offered an acupuncture benefit, and 11% offered massage therapy.

The State plan covers acupuncture and chiropractic care, but does not provide a massage therapy benefit.

**State Fiscal Effect:** Providing an integrated alternative medicine benefit could have a significant impact on the State plan, beginning in fiscal 2007, although the magnitude of any impact cannot be determined at this time. Factors that could increase costs are: (1) administrative costs to contract with an entity that provides these services; and (2) adding massage therapy as a covered benefit. DBM advises that a typical administrative fee could be \$2 per contract per month, or \$2.52 million in fiscal 2006. Factors that could decrease costs are: (1) implementing managed care practices for chiropractic and acupuncture services in the State's PPO plans; and (2) improved health outcomes resulting from combining alternative medicine with traditional medicine.

State plan expenditures for medical and prescription drug coverage are expected to total \$904 million in fiscal 2006.

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.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

**Fiscal Note History:** First Reader - March 15, 2005  
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