

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 458 (Delegate Hammen, *et al.*)

Health and Government Operations

Finance

Health Insurance - Coverage for Psychological and Neuropsychological Testing

This bill modifies Maryland’s mental health mandated benefit to specify that mental health coverage is not discriminatory as long as outpatient coverage includes psychological and neuropsychological testing for diagnostic purposes.

The bill applies to all policies, contracts, and health benefit plans issued, delivered, or renewed in the State on or after October 1, 2005.

Fiscal Summary

State Effect: State Employee and Retiree Health and Welfare Benefit Plan (State plan) expenditures could increase by \$92,000 total funds in FY 2006. Minimal general fund revenue increase from the State’s 2% insurance premium tax on for-profit carriers, beginning in FY 2006. Minimal special fund revenue increase for the Maryland Insurance Administration from the \$125 rate and form filing fee in FY 2006 only.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	-	-	-	-	-
SF Revenue	-	0	0	0	0
GF Expenditure	55,200	61,700	68,900	76,900	85,900
SF Expenditure	18,400	20,600	23,000	25,600	28,600
FF Expenditure	18,400	20,600	23,000	25,600	28,600
Net Effect	(\$92,000)	(\$102,900)	(\$114,900)	(\$128,100)	(\$143,100)

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

Local Effect: Expenditures for local jurisdiction employee health benefits could increase depending upon the current type of health care coverage offered and number of enrollees. Any increase is expected to be minimal. Revenues would not be affected.

Small Business Effect: None.

Analysis

Current Law: Maryland’s mental health mandate requires carriers to provide coverage for mental health services on the same terms as physical illness. A policy cannot discriminate against an individual with a mental illness or other disorder by failing to provide benefits for the diagnosis and treatment of these illnesses under the same terms and conditions that apply under a policy for the diagnosis and treatment of physical illnesses. For mental health coverage to be considered not discriminatory, a carrier must provide inpatient benefits for mental illness as it does for physical illness. A carrier must include a minimum of 60 days partial hospitalization for mental illness under the same terms and conditions that apply to the benefits available under the contract for physical illnesses. For outpatient services, carriers must provide coverage for mental illnesses, emotional disorders, drug or alcohol abuse at a rate (after deductibles) that is not less than:

- 80% coverage for the first 5 visits in one calendar year;
- 65% coverage of 6-30 visits; and
- 50% coverage for visits beyond 30.

The illness must be treatable and the treatment must be medically necessary.

Substantially similar coverage is required under HMO contracts

Background: Chapter 224 of 2003 created the Task Force to Study Access to Mental Health Services. The task force issued its final report in December 2004, which included the recommendation that the statutory definition of “outpatient treatment” should be made to clearly include psychological testing for diagnostic purposes. The task force noted that many carriers will not pay for psychological testing even when used for diagnostic purposes. Diagnostic testing for many physical illnesses is included in commercial health insurance contracts, and the inclusion of psychological testing for diagnostic purposes would increase the level of parity between mental health and somatic services in Maryland.

State Fiscal Effect: State plan expenditures could increase by \$92,000 in fiscal 2006. The State has both self-insured and fully-insured health plans; it is not required to cover mandated benefits under its self-insured plans, but it has generally done so in the past.

Assuming the State covers the mandated benefit, expenditures could increase due to increased use of psychological and neuropsychological testing conducted to identify learning disabilities that are also mental illnesses or emotional disorders. The State plan currently covers diagnostic mental health and substance abuse tests; however, it does not cover psychological or neuropsychological testing for educational purposes to determine whether an individual has a learning disability. In 2004, there were approximately 1,150 units of psychological testing covered under the State's self-insured plans, at \$80 per hour. It is estimated that testing would double under the bill, thereby increasing expenditures by \$92,000. Future year estimates reflect 11.7% inflation.

To the extent HMO enrollees use these services, premiums could increase. Any increase is expected to be minimal.

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: SB 542 (Senator Kelley, *et al.*) – Finance.

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

Fiscal Note History: First Reader - February 24, 2005
ncs/jr Revised - House Third Reader - March 23, 2005
Revised - Correction - May 25, 2005

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