

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 622
Appropriations

(Delegate Bohanan)

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

This bill requires the State Employee and Retiree Health and Welfare Benefits Program (State plan) to integrate “alternative medicine,” meaning chiropractic services, 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. A report is due by September 1 annually, from the Department of Budget and Management (DBM) on the clinical outcomes and cost effectiveness of the integration of alternative medicine.

The bill takes effect October 1, 2006.

Fiscal Summary

State Effect: State plan expenditures could decrease by a potentially significant amount from integration of alternative medicine. Plan costs could increase by about \$100,000 annually to contract with a private review agent or health care consulting firm beginning in FY 2007. No effect on revenues.

Local Effect: None.

Small Business Effect: Minimal.

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 chiropractic care.

State Fiscal Effect: Providing an integrated alternative medicine benefit could reduce State plan expenditures by a significant amount, beginning in fiscal 2007, although the magnitude of any reduction cannot be determined at this time. Factors that could potentially decrease costs significantly are: (1) implementing managed care practices for chiropractic services in the State's preferred provider organization (PPO) plans; and (2) improved health outcomes resulting from combining alternative medicine with traditional medicine. Each of the health plans, including PPOs, currently performs some of the things required by the bill, including utilization review and case management, although it is assumed that such an integrated alternative medicine benefit would increase savings mechanisms in all plans. There are insufficient data to reliably determine any savings resulting from the new benefit.

DBM advises it would cost the State plan about \$100,000 annually to contract with a private review agent or health care consulting firm to conduct a comprehensive analysis of clinical outcomes, cost effectiveness, and patient education.

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.

Additional Information

Prior Introductions: A similar bill, HB 1305 of 2005, was not reported by the Appropriations Committee.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - March 20, 2006
nas/ljm

Analysis by: Susan D. John

Direct Inquiries to:
(410) 946-5510
(301) 970-5510