

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 313 (Delegate Nathan-Pulliam, *et al.*)
 Health and Government Operations

Maryland Cancer Treatment Program

This bill establishes the Maryland Cancer Treatment Program in the Department of Health and Mental Hygiene (DHMH) to provide health insurance coverage to qualifying individuals for the first year of cancer treatment.

Fiscal Summary

State Effect: General fund expenditures could increase by \$50.4 million in FY 2008. No effect on revenues. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	50,426,000	72,291,000	77,745,200	83,611,500	89,921,200
Net Effect	(\$50,426,000)	(\$72,291,000)	(\$77,745,200)	(\$83,611,500)	(\$89,921,200)

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

Local Effect: None.

Small Business Effect: Minimal to none.

Analysis

Bill Summary: To be eligible for the program, an individual must reside in Maryland at the time of cancer diagnosis, provide documentation from the applicant's licensed physician that the applicant requires cancer treatment, have no comprehensive health insurance, and have a household income that is less than 650% of federal poverty guidelines (FPG).

The program will use Medicaid program resources for provider enrollment, billing, and payment services, as well as individual eligibility, enrollment, and tracking services. The program must reimburse providers at the rates established for Medicaid.

Background: DHMH's Family Health Administration (FHA) administers a Breast and Cervical Cancer Screening Program and a Diagnosis and Treatment Program for uninsured and underinsured women with incomes up to 250% FPG (in 2007, \$35,525 for an individual, \$34,225 for a family of two, and \$42,925 for a family of three). The Governor's proposed fiscal 2008 budget for FHA includes \$20.1 million for breast and cervical cancer screening, diagnosis, and treatment.

The Cigarette Restitution Fund Program includes a Cancer Prevention, Education, Screening, and Treatment Program. The Governor's proposed fiscal 2008 budget includes \$27.9 million for cancer prevention, education, screening, and treatment. Of these funds, \$9.9 million go to local health departments. The remaining \$18.0 million is used primarily for cancer research at the University of Maryland Medical Group and the Johns Hopkins Institutions.

The Maryland Health Insurance Program (MHIP) provides health care coverage for individuals who have certain qualifying conditions or do not have access to health insurance. Members are required to pay a premium based on age, subscriber type, and type of benefit plan. Low-income individuals may also receive a subsidy through MHIP Plus. An individual who has been diagnosed with or treated for cancer, except skin cancer, within the last five years qualifies for coverage under MHIP. In calendar 2006, 99 of 4,144 MHIP applicants (2.4%) provided documentation that they were being treated for or had been diagnosed with cancer. It is not known how many applicants were newly diagnosed.

The bill is modeled after the Delaware Cancer Treatment Program, established in 2004 to provide one year of cancer treatment to uninsured individuals with incomes up to 650% FPG. Approximately 4,000 Delawareans are diagnosed with cancer each year and the budget for the program is \$5.0 million annually.

The National Cancer Institute reports that cancer treatment accounted for an estimated \$72.1 billion nationally in 2004. **Exhibit 1** provides the average Medicare payment per individual in the first year following cancer diagnosis for the 15 most common cancers (in 2004 dollars). Figures include copayments and deductibles paid by Medicare enrollees. The average cost for non-Medicare enrollees may be less due to lower age and disability. Payments do not include oral medications commonly used to treat cancers of the breast and prostate, which may increase cost by as much as 10%.

Exhibit 1:
Average Medicare Payments per Individual
in the First Year Following Diagnosis, 2004 Dollars

<u>Cancer</u>	<u>Average Payment</u>
Lung	\$24,700
Breast	11,000
Colorectal	24,200
Prostate	11,000
Lymphoma	21,500
Head/Neck	18,000
Bladder	12,300
Leukemia	18,000
Ovary	36,800
Kidney	25,300
Endometrial	16,200
Cervix	20,100
Pancreas	26,600
Melanoma	4,800
Esophagus	30,500
All Other	<u>20,400</u>
Average	\$19,780

According to DHMH, approximately 24,000 Marylanders are diagnosed with cancer each year. Cancer is the second leading cause of death both nationally and in Maryland. The Maryland Health Care Commission reports that 780,000 individuals (14% of Marylanders) were uninsured in 2004-2005. It is not known how many individuals lacked “comprehensive” health insurance coverage. Medicaid currently pays approximately 78% of Medicare charges for oncology services.

State Fiscal Effect: General fund expenditures could increase by an estimated \$50.4 million in fiscal 2008, which accounts for the bill’s October 1, 2007 effective date. This estimate reflects the cost of nine full-time positions to perform computer programming, eligibility determination, provider relations, data entry, and administrative duties to support the program. DHMH was unable to provide an estimate of the number of individuals that could be served under the program or the potential cost per enrollee. The information and assumptions used in calculating this estimate are stated below:

- 24,000 Marylanders are diagnosed with cancer each year;

- 14% of Marylanders are uninsured;
- 3,360 individuals diagnosed with cancer (14%) are estimated to be uninsured and enroll in the program;
- the average cost of treating cancer for the first year following diagnosis will be \$19,848 in 2008 (78% of Medicare charges from 2004 increased by 6.5% per year to account for inflation); and
- DHMH will incur the following personnel expenses because existing resources are inadequate to handle an additional 3360 cases annually.

Salaries and fringe benefits	\$364,990
Other operating expenses	<u>43,739</u>
Total	\$408,729

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; (3) 1% annual increases in program enrollment; and (4) 6.5% annual increases in the cost of treatment.

Additional Comments: The Maryland Insurance Administration (MIA) estimates that as many as 50 potential MHIP applicants per year could be eligible for the Maryland Cancer Treatment Program. Since there is no cost for program enrollees, these individuals could disenroll from MHIP and enroll in the program for one year. Once their eligibility for the program was exhausted, these individuals could reenroll in MHIP. MIA estimates that, based on a \$6,714 annual MHIP subsidy cost per enrollee, MHIP expenditures could be reduced by \$335,700 per year. The Department Legislative Services cannot reliably estimate the bill's impact on MHIP at this time. **Exhibit 2** provides the 2007 FPG relative to this program.

Exhibit 2
2007 Federal Poverty Guidelines

<u>Family Size</u>	<u>650% FPG</u>
1	\$66,365
2	\$88,985
3	\$111,605
4	\$134,225

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Cancer Trends Progress Report – 2005 Update*, National Cancer Institute; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

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