

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 944

(Senator Madaleno, *et al.*)

Finance

Health Insurance - Habilitative Services - Covered Persons

This bill requires insurers, nonprofit health service plans, and health maintenance organizations (carriers) to provide coverage of habilitative services for all covered persons regardless of age.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: State Employee and Retiree Health and Welfare Benefits Plan (State plan) expenditures could increase by \$11.2 million in FY 2008, assuming the State plan elects to provide this coverage. Future year estimates reflect medical cost inflation. Potential minimal increase in special fund revenues for the Maryland Insurance Administration from the \$125 rate form and filing fee in FY 2008.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	-	-	-	-	-
GF Expenditure	6,748,800	7,356,200	8,018,200	8,739,900	9,526,500
SF Expenditure	2,249,600	2,454,100	2,672,800	2,913,300	3,175,500
FF Expenditure	2,249,600	2,454,100	2,672,800	2,913,300	3,175,500
Net Effect	(\$11,248,000)	(\$12,264,400)	(\$13,363,800)	(\$14,566,500)	(\$15,877,500)

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

Local Effect: To the extent carriers increase premiums as a result of the bill's requirement, expenditures for local government employee health benefits could increase. Any increase is expected to be negligible. No effect on revenues.

Small Business Effect: Potential minimal.

Analysis

Current Law: Habilitative services include occupational therapy, physical therapy, and speech therapy for the treatment of a child with a congenital or genetic birth defect to enhance the child's ability to function. Carriers must cover habilitative services for children under the age of 19 and may do so through a managed care system. Carriers are not required to provide reimbursement for habilitative services delivered through early intervention or school services. Carriers must provide annual notice to insureds and enrollees about coverage of habilitative services. Denial of a request or payment for habilitative services on the grounds that a condition or disease is not a congenital or genetic birth defect is an adverse decision and subject to appeal.

Background: Coverage of habilitative services for children is 1 of 41 mandated health insurance benefits that certain carriers must provide to their enrollees. The Maryland Health Care Commission conducts an annual study of mandated health benefits. According to its January 19, 2006 report, on average, Maryland's mandated benefits account for 15.4% of a health insurance premium's total cost. The report notes that the estimated annual full cost of habilitative services for children per group policy is \$5 and represents 0.1% of the average cost per group policy.

State Fiscal Effect: If the State plan chooses to expand this mandated health benefit, expenditures could increase by \$11,248,000 in fiscal 2008. 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. The information and assumptions used in calculating the estimate are stated below:

- the prevalence of congenital or genetic birth defects among individuals age 19 and older mirrors that of individuals under the age of 19 (between 5% and 17%);
- benefit levels under the bill, which are not specified, would be equal to current benefit levels for occupational therapy, physical therapy, and speech therapy under the State plan;
- expanding coverage of habilitative services to individuals with a congenital or genetic birth defect regardless of age would increase State plan expenditures by 2%;
- total State plan medical expenditures are estimated to be \$703 million for fiscal 2008; and

- 80% of increased State plan costs would be paid by the State, while 20% would be paid by enrollees.

State plan expenditures assume a fund mix of 60% general funds, 20% federal funds, and 20% special funds. Future year estimates reflect 9% annual inflation.

Small Business Effect: Small businesses (2-50 employees) purchase the Comprehensive Standard Health Benefit Plan (CSHBP), which is exempt from including mandated benefits in its coverage. All carriers participating in the small business market must sell CSHBP to any small business that applies for it. A small business may purchase riders to expand the covered services. In addition, MHCC takes mandated benefits into consideration when reevaluating the CSHBP benefit package. Small business health insurance costs may increase if carriers increase their premiums as a result of this bill. Any increase is expected to be negligible.

Additional Information

Prior Introductions: None.

Cross File: HB 1192 (Delegate Bronrott, *et al.*) – Health and Government Operations.

Information Source(s): *Annual Mandated Health Insurance Services Evaluation*, Maryland Health Care Commission, January 19, 2006; Department of Budget and Management; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

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