

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 578 (Delegate Pena-Melnyk, *et al.*)
Health and Government Operations

Finance

Health Insurance - Coverage for Amino Acid-Based Elemental Formula

This bill requires carriers to provide coverage for amino acid-based elemental formula, regardless of delivery method, for the diagnosis and treatment of specified allergies, syndromes, and disorders if the ordering physician has issued a written order stating that the formula is necessary for the treatment of a specified disease or disorder. A private review agent, acting on behalf of a carrier, may review the ordering physician's medical necessity determination for the treatment of a specified disease or disorder.

Fiscal Summary

State Effect: Potential minimal increase in special fund revenues for the Maryland Insurance Administration in FY 2009 from the \$125 rate and form filing fee. Expenditures for the State Employee and Retiree Health and Welfare Benefits Program (State plan) could increase by a minimal amount beginning in FY 2010 (60% general funds, 20% special funds, 20% federal funds) to provide the coverage required under the bill. Potential minimal increase in MIA special fund expenditures beginning in FY 2009 to ensure compliance with the bill. Future years reflect inflation.

Local Effect: Any impact on local government expenditures cannot be reliably estimated at this time but would likely be minimal.

Small Business Effect: None.

Analysis

Bill Summary: Coverage of amino acid-based elemental formula must be provided for the diagnosis and treatment of • immunoglobulin E and nonimmunoglobulin E mediated

allergies to multiple food proteins; • severe food protein induced enterocolitis syndrome; • eosinophilic disorders as evidenced by the results of a biopsy; and • impaired absorption of nutrients caused by disorders affecting the absorptive surface, functional length, and motility of the gastrointestinal tract. The bill does not apply to the small group health insurance market.

Current Law: There are 42 mandated health insurance benefits that certain carriers must provide to their enrollees, including medical foods and low protein modified food products for the treatment of inherited metabolic diseases if prescribed as medically necessary for the therapeutic treatment of inherited metabolic diseases and administered under the direction of a physician. The Comprehensive Standard Health Benefit Plan sold in the small group market must cover medical food for persons with metabolic disorders when ordered by a health care practitioner qualified to provide diagnosis and treatment in the field of metabolic disorders.

Background: Amino acid-based elemental formula is hypoallergenic formula designed for infants and children with milk protein and/or multiple food allergies or intolerance. The federal Women, Infants, and Children program and the Maryland Medicaid program provide coverage for amino acid-based elemental formula regardless of delivery method. Many insurance carriers provide coverage for amino acid-based elemental formulas only when they are delivered internally (through a surgically implanted tube) and not when provided orally.

According to the Children's Milk Allergy and Gastrointestinal Coalition, approximately 0.1% of children younger than age five (or about 368 Maryland children) have conditions that require amino acid-based elemental formulas. However, this incidence may be as high as 0.3%. The average annual cost of purchasing this formula is approximately \$5,000 (more than twice the average cost of "regular" formula). Typically, 80% of children outgrow the need for amino acid-based formula by age five.

The bill reflects the medical review standards currently in practice by CareFirst BlueCross Blue Shield.

State Fiscal Effect: State plan expenditures (60% general funds, 20% special funds, and 20% federal funds) could increase beginning in fiscal 2010 to extend coverage for amino acid-based elemental formulas to covered children. The amount of any increase cannot be reliably estimated at this time but is expected to be minimal as coverage would be provided in very few cases.

MIA special fund expenditures could increase beginning in fiscal 2009 to approve carrier contract amendments for compliance with the mandate. Similarly, MIA special fund revenues could increase in fiscal 2009 only from the \$125 rate and form filing fee. The

amount of any increase cannot be reliably estimated at this time but is expected to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Children's Milk Allergy and Gastrointestinal Coalition, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Budget and Management, Department of Legislative Services

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Analysis by: Jennifer B. Chasse

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