

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1468 (Delegate Morhaim)
 Health and Government Operations

Health Insurance - Outpatient Mental Health Treatment - Elimination of Tiered Copayments

This bill repeals tiered copayments for outpatient mental health and substance abuse treatment and requires health insurance coverage for all visits be not less than 80% after the applicable deductible.

The bill applies to all health insurance policies, contracts, and certificates issued, delivered, or renewed in the State on or after October 1, 2008.

Fiscal Summary

State Effect: State Employee and Retiree Health and Welfare Benefits Program (State plan) expenditures could increase by at least \$938,500 (60% general funds, 20% federal funds, and 20% special funds) beginning in FY 2010. Future years reflect inflation. Potential minimal increase in special fund expenditures for the Maryland Insurance Administration in FY 2009 to review contract amendments for compliance with the bill. No effect on revenues.

| (in dollars) | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|----------------|---------|-------------|---------------|---------------|---------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 0 | 563,100 | 602,500 | 689,900 | 738,100 |
| SF Expenditure | - | 187,700 | 200,800 | 230,000 | 246,000 |
| FF Expenditure | 0 | 187,700 | 200,800 | 230,000 | 246,000 |
| Net Effect | \$0 | (\$938,500) | (\$1,004,100) | (\$1,149,900) | (\$1,230,100) |

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

Local Effect: To the extent health insurance premiums increase under the bill, expenditures could increase for local jurisdictions.

Small Business Effect: None. The bill does not apply to the small group market.

Analysis

Current Law: Benefits for covered expenses arising from services rendered to treat mental illness, emotional disorders, drug abuse, and alcohol abuse must be at a rate which is, after the applicable deductible, not less than • 80% for the first five visits; • 65% for the sixth through thirtieth visit; and • 50% for the thirty-first and subsequent visits in any calendar year or benefit period of not more than 12 months.

Background: The Maryland Health Care Commission conducts an annual study of mandated health benefits. According to its January 1, 2008 report, on average, Maryland's 42 mandated health benefits account for 15.4% of total premium costs for group health insurance and 18.6% of total premium costs for individual policies. On a full cost basis, the most expensive mandates are mental illness and substance abuse, with a cost ranging from 4.9% of premium for group health insurance to 6.6% of premium for the Comprehensive Standard Health Benefit Plan.

In CSHBP, carriers must pay 70% of allowable charges for in-network outpatient mental health and substance abuse services. In order for the bill to apply to CSHBP, the requirement must be affirmatively adopted by MHCC.

The State plan provides outpatient mental health and substance abuse benefits both directly through HMOs and, for PPO and POS plans, through APS Healthcare, a mental health and substance abuse benefits administrator. Benefits provided are the same in all plans, but those provided through APS Healthcare are self-insured by the State. There is no limit on the number of outpatient mental health or substance abuse services that are covered in a plan year.

State Expenditures: Expenditures for the State plan could increase by at least \$938,540 (60% general funds, 20% federal funds, and 20% special funds) beginning in fiscal 2010, which accounts for the bill's October 1, 2008 effective date. Policies under the State plan are written on a fiscal year basis meaning that the bill would not affect the State plan until July 1, 2009. The estimate includes the cost of self-insured claims in the State plan's five PPO and POS plans only. Any additional costs related to the three fully insured HMO plans would be in addition to this estimate. The information and assumptions used in calculating the estimate are stated below:

- increased coverage of mental health and substance abuse services will result in a 10% increase in utilization of those services;

- thus, there will be 95,042 mental health and substance abuse visits by POS and PPO enrollees in fiscal 2010;
- 50% of those visits (47,521) will be paid at a higher rate than under current law; and
- the average increased cost per visit under the bill is estimated to be \$19.75.

Future year expenditures reflect 7% inflation.

MIA special fund expenditures could increase in fiscal 2009 to review carrier contract amendments to ensure compliance with the bill. The amount of expenditures will depend on the amount of contract amendments submitted but are expected to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 14, 2008
mll/ljm

Analysis by: Jennifer B. Chasse

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