

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

Senate Bill 564
 Finance

(Senator Madaleno, *et al.*)

Health Insurance - Habilitative Services - Required Coverage

This bill expands mandated coverage of habilitative services to include all covered individuals younger than age 25.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: Minimal increase in special fund revenues for the Maryland Insurance Administration (MIA) from the \$125 rate form and filing fee in FY 2010. Review of rate filings can be handled within existing MIA resources. State Employee and Retiree Health and Welfare Benefits Plan (State plan) expenditures increase by \$244,200 in FY 2010, assuming the State plan elects to provide this coverage. Future year estimates reflect medical cost inflation.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	-	\$0	\$0	\$0	\$0
GF/SF/FF Exp.	\$244,200	\$266,200	\$290,100	\$316,200	\$344,700
Net Effect	(\$244,200)	(\$266,200)	(\$290,100)	(\$316,200)	(\$344,700)

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's fully insured health benefit plans could increase. Any increase is expected to be negligible. No effect on revenues.

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

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 younger than age 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.

Under the Code of Maryland Regulations 31.11.06.03, the Comprehensive Standard Health Benefit Plan sold in the small group market must provide habilitative services for children younger than age 19 for the treatment of congenital or genetic birth defects, except those services provided in early intervention and school services.

Background: Coverage of habilitative services for children is 1 of 43 mandated health insurance benefits that certain carriers must provide to their enrollees. Every four years, the Maryland Health Care Commission (MHCC) examines the fiscal impact of these mandated benefits. In 2008, MHCC found that these benefits account for 15.4% of total premium costs for group health insurance and 18.6% of total premium costs for individual policies. Coverage of habilitative services accounts for 0.1% of total premium costs for both group and individual health insurance policies.

State Fiscal Effect: If the State plan chooses to expand this mandated benefit, expenditures increase by an estimated \$244,188 in fiscal 2010. While the State plan offers both self-insured and fully insured plans, this estimate reflects potential increased claims costs under the self-insured plans only. The State plan is not required to cover mandated benefits under its self-insured plans but has done so voluntarily in the past. Any potential impact to the fully insured plans is anticipated to be minimal.

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

Additional Information

Prior Introductions: HB 1192/SB 944 of 2007 would have mandated coverage of habilitative services for all covered individuals regardless of age. The bills were heard by the House Health and Government Operations and Senate Finance committees, respectively, but no further action was taken on either bill.

Cross File: HB 468 (Delegate Bronrott, *et al.*) - Health and Government Operations.

Information Source(s): *Study of Mandated Health Insurance Services: A Comparative Evaluation*, Maryland Health Care Commission, January 1, 2008; Department of Budget and Management; Maryland Health Insurance Plan; Department of Health and Mental Hygiene; Maryland Insurance Administration; University System of Maryland; Department of Legislative Services

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