

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 487

(Senator Pugh, *et al.*)

Finance

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.

The statutory provisions of the bill take effect July 1, 2011, while an uncoded reporting section takes effect July 1, 2009.

Fiscal Summary

State Effect: General fund expenditures increase by \$308,000 in FY 2011 for personnel and administrative expenses. As the program is implemented in FY 2012, general fund expenditures increase by \$21.8 million. Future year expenditures reflect enhanced eligibility for the program and inflation. The bill's reporting requirements can be handled with existing resources. No effect on revenues.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	.3	21.8	41.3	64.1
Net Effect	\$0	(\$0.3)	(\$21.8)	(\$41.3)	(\$64.1)

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

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: To be eligible for the program, an individual must (1) reside in Maryland at the time of cancer diagnosis; (2) provide documentation from a licensed physician of the need for cancer treatment; (3) have no comprehensive health insurance; and (4) have a household income less than 116% of federal poverty guidelines (FPG) for fiscal 2012, less than 200% FPG for fiscal 2013, and less than 300% FPG for fiscal 2014 and thereafter.

The program must 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.

Uncodified language requires DHMH to develop a workgroup to identify funding sources other than State general funds to pay for health insurance coverage for individuals eligible for the program. DHMH must report its findings and recommendations by July 1, 2010.

Current Law/Background: Chapter 7 of the 2007 special session expanded Medicaid eligibility for parents and caretaker relatives with household incomes up to 116% FPG. Childless adults with incomes up to 116% FPG are eligible for primary care services only.

DHMH's Family Health Administration 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. This program provides diagnostic services and funds the duration of cancer treatment. The Cigarette Restitution Fund Program includes a Cancer Prevention, Education, Screening, and Treatment Program.

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. Individuals with incomes below 300% FPG may receive discounted premiums through MHIP+. 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 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. An MHIP analysis of the cost and prevalence of treatment for various diseases from July 2007 through May 2008 found that treatment for breast cancer ranked as the seventh most costly treatment covered by MHIP, with 201 patients receiving treatment at a total net plan cost of \$1,056,245.

The bill is similar to the Delaware Cancer Treatment Program, established in 2004. The program provides up to two years of cancer treatment to uninsured individuals with incomes up to 650% FPG. Approximately 4,000 Delawareans are diagnosed with cancer each year. Similar programs also exist in Georgia and North Carolina.

The National Cancer Institute reports that cancer treatments cost 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 but do not include oral medications commonly used to treat cancers of the breast and prostate, which may increase treatment costs by as much as 10%. The average cost for non-Medicare enrollees may be somewhat less since Medicare enrollees are older or have qualifying disabilities.

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 the Maryland Cancer Registry, approximately 24,000 Marylanders are diagnosed with cancer annually. Cancer is the second leading cause of death both nationally and in Maryland. The Maryland Health Care Commission reports that 760,000 individuals (13.8% of Marylanders) were uninsured in 2006-2007. Of these uninsured, 500,000 (65%) had annual family income under 300% FPG. Of those 500,000, 340,000 had annual family income under 200% FPG and approximately 188,800 had annual family income under 116% FPG. 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: Although the program does not become effective until July 1, 2011, general fund expenditures increase by \$308,156 in fiscal 2011 for four full-time computer programming positions to modify reporting requirements, eligibility, and claims systems.

Positions	4
Salaries and Fringe Benefits	\$281,448
Other Operating Expenses	<u>26,708</u>
Total FY 2011 Personnel Costs	\$308,156

Unless DHMH can identify an alternative funding source for the program, general fund expenditures increase by \$21.8 million in fiscal 2012, which accounts for the bill’s July 1, 2011 effective date. This estimate reflects treatment costs (\$21.3 million), as well as the cost of two additional full-time positions to perform eligibility determination, provider relations, data entry, and administrative duties to support the program and ongoing costs associated with the four computer programming positions. The information and assumptions used in calculating this estimate are stated below:

- 24,000 Marylanders are diagnosed with cancer each year;
- 3.8% of Marylanders are uninsured with annual family incomes less than 116% FPG;
- an estimated 936 individuals diagnosed with cancer will be eligible for and enroll in the program in fiscal 2012; and
- the average cost of treating cancer for the first year following diagnosis will be \$22,795 in fiscal 2012 (78% of Medicare charges from 2004 increased by 5.0% per year to account for inflation).

New Positions	2
Treatment Costs	\$21,335,908
Salaries and Fringe Benefits (6 positions)	392,002
Other Operating Expenses	<u>23,815</u>
Total FY 2012 Costs	\$21,751,725

In fiscal 2013, as eligibility expands to include individuals with household incomes up to 200% FPG, enrollment is expected to increase to 1,702. Two additional full-time positions will be needed to perform eligibility determination and administrative duties to support the program.

New Positions	2
Treatment Costs	\$40,736,540
Salaries and Fringe Benefits (8 positions)	534,422
Other Operating Expenses	<u>29,061</u>
Total FY 2013 Costs	\$41,300,023

Future year expenditures reflect (1) full salaries with 4.4% annual increases and 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; (3) 1% annual increases in program enrollment; and (4) 5.0% annual increases in the cost of treatment.

Additional Comments: Some potential MHIP+ applicants and current MHIP+ enrollees may be eligible for and enroll in the Maryland Cancer Treatment Program. Once their eligibility for the program was exhausted, they could enroll in MHIP+. To the extent these individuals enroll in the cancer program rather than MHIP+, MHIP may realize savings.

Exhibit 2 provides the 2009 FPG relative to this bill.

Exhibit 2
2009 Federal Poverty Guidelines

<u>Family Size</u>	<u>116% FPG</u>	<u>200% FPG</u>	<u>300% FPG</u>
1	\$12,563	\$21,660	\$32,490
2	16,901	29,140	43,710
3	21,240	36,620	54,930
4	25,578	44,100	66,150

Additional Information

Prior Introductions: This bill is similar to HB 460 of 2008, which received an unfavorable report from the House Health and Government Operations Committee.

Cross File: HB 181 (Delegate Nathan-Pulliam, *et al.*) - Health and Government Operations.

Information Source(s): National Cancer Institute, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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mcp/mwc

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