HB 818

Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 818 (Delegate Morhaim)
Appropriations

State Employee and Retiree Health and Welfare Benefits Program - Wellness

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This bill requires the Secretary of Budget and Management to designate a wellness coordinator to develop a wellness program to improve the health and wellness of State employees and retirees. It also requires each State agency to designate a wellness liaison.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: General fund expenditures by the Department of Budget and Management (DBM) increase by $61,916 in FY 2010 to hire a wellness coordinator. Other agencies can carry out the bill's requirements with existing budgeted resources. Out-year expenditures reflect annualization and inflation. Expenditures may be significantly higher depending on the size and scope of the new wellness program. In the long term, State expenditures may decline due to improved health outcomes. No effect on revenues.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	$0	$0	$0	$0	$0
GF Expenditure	61,900	78,000	81,600	85,300	89,100
Net Effect	($61,900)	($78,000)	($81,600)	($85,300)	($89,100)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The wellness coordinator must maintain and update annually a list of Internet links to health resources; design an outreach campaign; and study the participation of employees and retirees in State wellness programs. The coordinator must report annually to the Governor and the General Assembly, beginning July 1, 2010, on the operation and performance of the wellness program. In particular, the reports must assess the program's effectiveness in improving the health and welfare of State employees and retirees. The report must also include plans for improving the program's effectiveness.

The bill authorizes, but does not require, the wellness program to provide education programs and disseminate information and health risk assessment tools. It may conduct follow-up activities with participating employees and retirees, and provide optional incentives to encourage participation in the program.

DBM may procure, through a request for proposals (RFP), a wellness program that incorporates active disease management and includes a mechanism for the collection of data to determine the program's effectiveness.

Current Law: Insurance carriers may not make or allow unfair discrimination between individuals of the same class and of essentially the same hazard (1) in the amount of premium, policy fees, or rates charged for a policy or contract of health insurance; (2) in the benefits payable under a policy or contract of health insurance; or (3) in any of the terms or conditions of a policy or contract of health insurance. Carriers may not pay, allow, give, or offer to pay, allow, or give directly or indirectly as an inducement a rebate of premiums or any valuable consideration or other inducement not specified in the contract. Violation of these prohibitions is considered an unfair method of competition and an unfair and deceptive act or practice in the business of insurance.

Chapter 591 of 2007 specifies that it is not discrimination or a rebate for a carrier to provide reasonable incentives to an individual who is an insured, subscriber, or member for participation in a bona fide wellness program offered by the carrier. A bona fide wellness program is a program designed to prevent or detect disease or illness, reduce or avoid poor clinical outcomes, prevent complications from medical conditions, or promote healthy behaviors and lifestyle choices.

A carrier may not make participation in a wellness program a condition of coverage or impose a penalty on an insured, subscriber, or member for nonparticipation. Insureds, subscribers, or members may not be required to achieve any specific outcome in order to receive an incentive for participation in a wellness program. Any incentive offered for participation must be reasonably related to the program and may not have a value that exceeds any limit established in regulations adopted by the Maryland Insurance Commissioner.

The federal Health Insurance Portability and Accountability Act (HIPAA) includes nondiscrimination provisions that generally prohibit differential deductibles, copayments, or other cost-sharing for similar individuals in group health plans. However, plans generally may offer wellness programs provided that the program is offered to all similarly situated individuals and no reward is given or none of the conditions for obtaining a reward are based on satisfying a standard related to a specific health factor (*i.e.*, quitting smoking).

HIPAA regulations allow a wellness program reward to be based on an individual satisfying a standard related to a health factor if the reward meets the following requirements:

- the total reward for all the plan's wellness programs that require satisfaction of a standard related to a health factor generally must be limited to 20% of the cost of employee-only coverage under the plan (or 20% of the cost of coverage if any dependents are enrolled);
- the program must be reasonably designed to promote health and prevent disease;
- the program must give individuals eligible to participate the opportunity to qualify for the reward at least once per year;
- the reward must be available to all similarly situated individuals; and
- the plan must disclose in all materials describing the terms of the program the availability of a reasonable alternative standard (or the possibility of a waiver of the initial standard).

Background: Wellness programs, though not consistently defined, have been growing in popularity domestically and internationally. Wellness programs can range in intensity and scope from simple public awareness campaigns that use posters and educational sessions to more comprehensive programs that provide on-site health screenings, access to fitness equipment, and other related services.

A recent international survey by Buck Consultants, a human resource consulting firm, found that 82% of employers in North America have a wellness strategy. The survey also found that the range of services provided by wellness programs varies widely among employers. The most common feature in the United States is an employee assistance program, offered by 95% of employers, which provides assessment and referral services to help employees address personal problems that interfere with their work. Other common services include immunizations and flu shots (87%), nurse telephone lines (77%), disease management (76%), and health risk appraisals (70%). Programs may also include such things as smoking cessation, weight management, stress management, nutrition education, and prenatal education.

Many programs offer rewards or incentives to encourage employees to take advantage of the services available through wellness programs. According to the Buck survey, the cost of those rewards and incentives varies from $10 per employee per year to more than $500. More than two-thirds of employers responded that they do not know by how much their wellness program have reduced their health care costs. Of those who had measured the effect, almost all said that the programs had reduced their costs by no more than five percentage points each year.

Several surrounding states offer comprehensive wellness programs for their employees. The Pennsylvania Employees Benefit Trust Fund administers a wellness program that provides discounts on employee premiums for participation in the fund's Get Healthy Program. Employees may reduce their premium payments by as much as half (one and a half percentage points) in exchange for participation. Program requirements vary depending on an employee's health profile. "Healthy" employees must only complete an annual health risk assessment. "At Risk" and "Chronic" employees must complete a telephone-based education program and complete the health risk assessment; they are subject to differing levels of follow-up from program coaches or nurses. In Delaware, the DelaWell program provides a $100 cash incentive for any employee who completes a health risk assessment and participates in a biometric health screening. It also provides a help line, disease management services, and reimbursement for participation in Weight Watchers.

DBM currently provides a wellness web site for State employees. The web site offers limited information on chronic diseases (asthma, high blood pressure, etc.) and links to health plan providers, which offer additional services.

State Fiscal Effect: As noted above, wellness programs vary tremendously in their scope and depth. To the extent that the range of required activities by the designated wellness coordinator is limited in scope (maintain web links, design an outreach program, and prepare annual reports), those tasks may be carried out by existing human resource staff within DBM. However, the bill requires that the annual reports submitted by the wellness coordinator assess the program's effectiveness in improving the health and welfare of State employees and retirees. In addition to requiring significant data collection and analysis, that requirement suggests that the bill's intent is that the program be of sufficient size and scope to affect health outcomes and reduce health costs. The range of wellness services provided in neighboring states offers a glimpse of what such a program may look like. It is unlikely that a program of that nature can be administered with existing resources.

Legislative Services concludes that DBM requires one full-time position dedicated to administering the State's wellness program. The coordinator is responsible for designing and administering a program that provides significant outreach to State employees and leverages existing agency and community resources to improve State employees' health outcomes. Other State agencies can designate existing staff to serve as the wellness liaison to assist with program activities.

Therefore, general fund expenditures increase by $61,916 in fiscal 2010, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring a wellness coordinator to oversee the State's wellness program for employees and retirees. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	$51,873
Start-up Costs	4,335
Operating Expenses	5,708
Total FY 2010 State Expenditures	**$61,916**

Future year expenditures reflect a full salary with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

If it chooses to issue an RFP for a comprehensive wellness program provided by a third party, DBM can develop and issue the RFP with existing resources (and the assistance of the new wellness coordinator). DBM estimates the cost of a third-party wellness program that includes disease management to be between $1.50 and $3.00 per member per month; available research confirms the cost to be toward the lower end of that range. Based on a total of about 80,000 State employees (including all government branches and the University System of Maryland), and an additional 35,000 retirees covered by the State health plan, the cost of such a program, if procured by DBM, is about $2.1 million. Any incentives paid to employees to participate in the program are additional costs.

In the short term, the State might experience higher health care costs as employees become more aware of their health risks and of opportunities to address them with the assistance of health care providers. Over the long term, however, the wellness program may help the State reduce costs by increasing employees' use of preventative care, reducing absenteeism, and improving productivity. However, those benefits are not likely to be experienced during the five-year span covered by this fiscal and policy note, and cannot be reliably estimated.

Additional Information

Prior Introductions: None.

Cross File: SB 843 (Senator Currie, *et al.*) - Budget and Taxation.

Information Source(s): Buck Consultants, Department of Budget and Management, Department of Health and Mental Hygiene, Board of Public Works, Department of Legislative Services

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