HB 1557

Department of Legislative Services

Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1557 (Delegate Bromwell)
Health and Government Operations

Health Insurance - Coverage for Treatment of Spinal Muscular Atrophy

This bill requires insurers, nonprofit health service plans, and health maintenance organizations that provide hospital, medical, or surgical benefits to provide coverage for up to 12 hours per day of private duty nursing services as recommended by the enrollee's treating physician for the treatment of spinal muscular atrophy (SMA).

The bill applies to all policies and contracts issued, delivered, or renewed in the State on or after October 1, 2010.

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 2011. The review of rate filings can be handled within existing MIA resources. State Employee and Retiree Health and Welfare Benefits Program (State plan) expenditures increase by $745,300 beginning in FY 2012 to provide private duty nursing services to treat SMA.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	-	$0	$0	$0	$0
GF Expenditure	$0	$439,700	$470,500	$503,500	$538,700
SF Expenditure	$0	$223,600	$239,200	$256,000	$273,900
FF Expenditure	$0	$82,000	$87,700	$93,900	$100,400
Net Effect	$0	($745,300)	($797,500)	($853,300)	($913,100)

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

Local Effect: Expenditures increase for some local governments to the extent that private duty nursing services for the treatment of SMA are not already covered.

Small Business Effect: The bill does not apply to the small group health insurance market.

Analysis

Current Law/Background: Statute includes 45 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 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.

Health Insurance Mandates as They Relate to State and Local Governments and the Small Group Market

Employers have two major options when providing health insurance benefits. They can purchase a fully insured plan from an insurance company or they can self-insure by assuming risk and paying all claims for services themselves, usually through a third-party administrator. The federal Employee Retirement Income Security Act (ERISA) preempts states' ability to require private employers to offer insurance coverage and exempts the coverage offered by self-insured entities from state insurance regulation. Therefore, the health insurance requirements under Title 15, Subtitles 4, 7, and 8 of the Insurance Article apply only to fully insured health benefit plans.

Government entities that self-fund their health benefit plans are *not exempt* under ERISA from state regulation and health insurance mandates. In Maryland, these entities have instead been exempt from these requirements based on the State definition of "insurance business." An insurance business includes the transaction of all matters pertaining to an insurance contract, either before or after it takes effect and all matters arising from an insurance contract or a claim under it. Insurance business *does not* include pooling by public entities for self-insurance of casualty, property, or health risks.

In 2008, the Maryland Association of Counties and the Maryland Association of Boards of Education conducted an informal survey of counties and county school boards about their insurance plans, to which 22 counties and 19 school boards responded. Of the 22 responding counties, 13 were self-insured, 4 were fully insured, and 5 offered both self-insured and fully insured options. Of the 19 responding county school boards, 14 were self-insured, 1 was fully insured, and 4 offered both self-insured and fully insured options. The fully insured plans offered by counties and county school boards are subject to State insurance laws.

Maryland's small group market Comprehensive Standard Health Benefit Plan (CSHBP) is not subject to mandated benefits applicable to the large group market. Rather, MHCC reviews CSHBP on an annual basis and considers making benefit or cost sharing changes at that time.

Spinal Muscular Atrophy

SMA is a relatively rare inherited disorder that affects muscle movement control. SMA is caused by a loss of specialized nerve cells in the spinal cord and the part of the brain that is connected to the spinal cord (the brainstem). The loss of motor neurons leads to weakness and wasting of muscles used for activities such as crawling, walking, sitting up, and controlling head movement. In severe cases of SMA, the muscles used for breathing and swallowing are affected. SMA is divided into subtypes based on the severity of the disease and the age when symptoms appear.

State Fiscal Effect: Although not required to follow health insurance mandates, the State plan generally does. Thus, this estimate is based on the assumption that the State plan will follow the bill's requirements. However, since the State plan contract runs on a fiscal-year basis, the cost sharing specified under the bill would not be included until the fiscal 2012 plan year. In addition, since the State Plan does not know how many covered individuals have SMA, the estimate is based on a prevalence rate range of 1 in 60,000 to 1 in 100,000 individuals. There are 108,965 members (either individuals or families) currently enrolled in the State plan.

Therefore, expenditures increase by $745,321 in fiscal 2012, which reflects an estimated 57-cent per member, per month increase in claims costs for the 108,965 members enrolled in the plan.

State plan expenditures are split 59% general funds, 30% special funds, and 11% federal funds. Future year estimates reflect 7% medical cost inflation.

Local Expenditures: Local government expenditures (for those that purchase fully insured plans from an insurance company) increase for some local governments that do not already cover private duty nursing services for the treatment of SMA.

Additional Comments: According to CareFirst BlueCross/BlueShield, the impact to its risk-based business (which does not include State plan costs) would be approximately $2.6 million per year. This estimate assumes $50 per hour for private duty nursing, 12 hours a day, 7 days a week, 52 weeks a year. The estimate assumes that SMA affects 1 out of 60,000 members.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): CareFirst Blue Cross/Blue Shield, Department of Budget and Management, Maryland Health Insurance Plan, Department of Health and Mental Hygiene, Maryland Insurance Administration, National Institutes of Health, Department of Legislative Services

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