

**Department of Legislative Services**  
Maryland General Assembly  
2011 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 312

(Senator Madaleno, *et al.*)

Finance

---

**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, 2011.

---

**Fiscal Summary**

**State Effect:** Expenditures for the State Employee and Retiree Health and Welfare Benefits Program (State plan) increase by an estimated \$455,300 in FY 2012 to cover habilitative services for dependents age 19 to 24. Future years reflect medical inflation. Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2012. Review of filings can be handled with existing budgeted MIA resources.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Revenue	-	\$0	\$0	\$0	\$0
GF Expenditure	\$268,600	\$290,100	\$313,400	\$338,400	\$365,500
SF Expenditure	\$136,600	\$147,500	\$159,300	\$172,100	\$185,800
FF Expenditure	\$50,100	\$54,100	\$58,400	\$63,100	\$68,100
Net Effect	(\$455,300)	(\$491,800)	(\$531,100)	(\$573,600)	(\$619,500)

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

**Local Effect:** Expenditures for some local governments increase beginning in FY 2012.

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

**Background:** Coverage of habilitative services for children is 1 of 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. Coverage of habilitative services accounts for 0.1% of total premium costs for both group and individual health insurance policies.

Maryland's small group market Comprehensive Standard Health Benefit Plan (CSHPB) 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. CSHBP does cover habilitative services for children younger than age 19 to treat congenital or genetic birth defects.

A January 2011 analysis of the financial impact of expanding the habilitative services mandate conducted by Mercer found that no carriers are currently providing habilitative services to individuals beyond age 18. Mercer estimates that the cost of mandating coverage of habilitative services for the 19 to 24 age group would cost between 0.49% and 0.82% of premiums or \$29 to \$49 per employee, per year for group policies. Mercer also estimated the cost impact of phasing in the proposed mandate over a six-year period. This analysis estimates costs of 0.10% to 0.16% of premium or \$6 to \$10 per policy, per year in year one (coverage up to age 19) increasing up to 0.49% to 0.82% of premium or \$29 to \$29 per policy, per year in year six (ages 19 to 24).

**State Fiscal Effect:** The Department of Budget and Management (DBM) advises that it currently covers dependents up to age 25. Starting with the fiscal 2012 plan year, the State plan will cover dependents up to age 26, as required under the federal Patient Protection and Affordable Care Act. DBM advises that 19,695 dependents between the ages of 18 and 25 are currently enrolled in the State plan. Approximately 1 in 97.4 children receive habilitative services. DBM further estimates that each enrollee who

receives habilitative services will make 50 office visits per year at a total cost of \$77.64 per visit (\$52.64 to the State plan after a \$25 copayment). Legislative Services' estimate is based on these assumptions.

State plan expenditures increase by an estimated \$455,336 in fiscal 2012 to cover habilitative services for approximately 173 children age 19 through age -24. Future years reflect 8% annual medical inflation.

State plan expenditures are split 59% general funds, 30% special funds, and 11% federal funds.

**Local Fiscal Effect:** Local government expenditures (for those that purchase fully insured plans from an insurance company) increase for some local governments beginning in fiscal 2012 to cover additional services for dependents aged 19 to 24.

---

## Additional Information

**Prior Introductions:** SB 445/HB 198 of 2010 and SB 564/HB 468 of 2009 would have increased coverage of habilitative services to age 25. All four bills received unfavorable reports from the Senate Finance and House Health and Government Operations committees, respectively.

**Cross File:** Although designated as a cross file, HB 811 (Delegate A. Kelly *et al.* – House Health and Government Operations) is not identical.

**Information Source(s):** *Annual Mandated Health Insurance Services Evaluation*, Prepared for the Maryland Health Care Commission, January 20, 2011; Department of Budget and Management; Maryland Health Insurance Plan; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - February 14, 2011

ncs/mwc Revised - Updated Information - February 22, 2011

---

Analysis by: Jennifer B. Chasse

Direct Inquiries to:

(410) 946-5510

(301) 970-5510