

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 638 (Delegate Krebs, *et al.*)
Appropriations and Health and
Government Operations

State Employee and Retiree Health and Welfare Benefits Program - Bona Fide
Wellness Program and Wellness Promotion

This bill requires the Secretary of Budget and Management, in consultation with the Secretary of Health and Mental Hygiene, to develop and implement a bona fide wellness program for inclusion in the State Employee and Retiree Health and Welfare Benefits Program (State plan). The Secretary of Budget and Management must also consider merging sick leave and annual leave into a single leave benefit for State employees and including a high deductible health plan (HDHP) with a health savings account (HSA) as a health benefit plan option in the State plan.

Fiscal Summary

State Effect: Expenditures for the State plan increase by a significant amount in FY 2013 to develop and implement a bona fide wellness program. Consideration of other options to promote wellness among employees can be handled within existing budgeted resources for the Department of Budget and Management (DBM). In future years, savings generated by the program may exceed expenditures. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bona fide wellness program must (1) include a health risk assessment for all State plan enrollees; (2) promote the goals of the State Health

Improvement Plan (SHIP); (3) comply with existing law regarding bona fide wellness plans; and (4) aim to achieve savings in the State plan over time that exceed the costs of the program. The bona fide wellness program may include incentives for achieving health goals, including discounted premiums, waivers of cost-sharing mechanisms, and additional benefits. The Secretary of Budget and Management must report to the Governor and the General Assembly by January 1, 2013, on implementation of the bill.

Current Law: A bona fide wellness program is a program designed to promote health or prevent or detect disease or illness, reduce or avoid poor clinical outcomes, prevent complications from medical conditions, promote healthy behaviors, or prevent and control injury.

Chapters 682 and 683 of 2009 authorized carriers to provide reasonable incentives to an insured, subscriber, or member for participation in a bona fide wellness program under specified circumstances and clarified that it is not discrimination or a rebate for a carrier to provide such incentives if the incentives are provided as specified.

A carrier may not make participation in a bona fide wellness program a condition of coverage. Participation must be voluntary, and a penalty may not be imposed for nonparticipation. A carrier may not market the bona fide wellness program solely as an incentive or inducement to purchase coverage from the carrier. Except in specified situations, a wellness program may not condition an incentive on an individual satisfying a standard related to a health factor.

A bona fide wellness program must be construed to be reasonably designed to promote health or prevent disease if the program (1) has a reasonable chance of improving the health of or preventing disease in participating individuals; (2) is not overly burdensome; (3) is not a subterfuge for discriminating based on a health factor; and (4) is not highly suspect in the method chosen to promote health or prevent disease.

State employee leave benefits, including the types, amounts, and guidelines for use, are governed by Subtitle 9 of the State Personnel and Pensions Article.

Background: In an effort to stem increasing health insurance and medical costs, many employers offer health insurance premium discounts to enrollees who participate in wellness programs. Wellness programs include such things as smoking cessation, weight management, stress management, nutrition education, and prenatal education.

At least 20 states have some type of wellness program for public employees. Typically, employees participate in a screening that focuses on key health measures such as body mass index (BMI), smoking, blood pressure, cholesterol, and physical activity. Many states offer participants premium discounts, while some offer cash incentives for

participation or measurable improvement on specific health indicators. Delaware's DelaWELL program provides a health risk assessment, followed by personalized lifestyle and disease management tools. Since its inception, DelaWELL has expanded to include on-site biometric screenings and up to 100% reimbursement for Weight Watchers® offerings for employees and covered dependents older than age 18.

At least 12 states offer HDHPs and associated savings accounts to public employees, including Pennsylvania and Virginia. Pennsylvania offers a "consumer driven health plan" that includes an HDHP with deductibles of \$1,500 for an individual/\$3,000 for a family and a health reimbursement account (HRA). Virginia offers an HDHP with HSA with a deductible of \$1,750 for an individual/\$3,500 for a family. Full-time employees pay no premiums based on the notion that premium savings are placed in the HSA to pay the HDPD deductible and other out-of-pocket costs.

Maryland's SHIP includes 39 measurable targets for Maryland's health in 2014. The targets are grouped into six focus areas (healthy babies, healthy social environments, safe physical environments, infectious disease, chronic disease, and health care access). Examples of targets include reducing deaths from heart disease, increasing the proportion of adults at a healthy weight, reducing the proportion of adults who are smokers, and reducing emergency room visits for a variety of chronic conditions.

In fiscal 2010, DBM implemented a voluntary disease management program in the State plan that coordinates the medical, behavioral health, and prescription claims of enrollees with five disease states: hypertension, diabetes, cardiovascular disease, asthma, and depression. The program includes outreach by nurse practitioners to individuals with such chronic conditions. Generic drugs tied to these five disease states are also available at a \$0 copayment to improve medication/treatment adherence and remove any potential barriers to care. DBM also offers several wellness resources on its website.

State Fiscal Effect: Expenditures for the State plan increase by a significant amount in fiscal 2013 to develop and implement a bona fide wellness plan. Actual expenditures cannot be reliably estimated and will depend on the design of the program and the incentives provided to State plan enrollees.

For illustrative purposes only, if each of the 105,000 State employees and retirees enrolled in the State plan took a health risk assessment and received a \$25 cash incentive (DBM notes that the most effective incentive for a high completion rate is cash), total costs could be as much \$2.6 million for risk assessments. DBM indicates that ongoing administrative costs for a wellness program could be as much as \$3 per employee per month, or a total of \$1.7 million, based on roughly 48,000 active State employees. Combined, these expenditures could be as much as \$4.4 million. DBM advises that the costs of a bona fide wellness program would be funded through higher health insurance

premiums, with 20% of the cost borne by enrollees and 80% by the State plan. State plan expenditures are split 59% general funds, 30% special funds, and 11% federal funds.

As the program must aim to achieve savings in the State plan over time that exceed the costs of the program, in future years, the program could generate potentially significant savings. The bill requires a report on implementation by January 1, 2013, but it does not require implementation by that date. Therefore, it is assumed that DBM can meet that requirement with existing resources.

Additional Comments: Legislative Services notes that Delaware's DelaWELL program was initially funded with a \$1.4 million budget for a two-year period, plus an additional \$500,000 for incentives, and is currently staffed by five full-time employees. Delaware's state employee health insurance plan covers approximately 110,000 individuals, including employees, retirees, and dependents.

Merging of sick leave and annual leave into a single leave benefit would require amending statute.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): National Conference of State Legislatures, State of Delaware Office of Management and Budget, Department of Budget and Management, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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