

**Department of Legislative Services**  
Maryland General Assembly  
2013 Session

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

Senate Bill 224

(Senator Pugh, *et al.*)

Finance

Appropriations and Health and  
Government Operations

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**State Employee and Retiree Health and Welfare Benefits Program - Wellness  
Program**

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This bill requires the Secretary of Budget and Management to include a “wellness program” in the State Employee and Retiree Health and Welfare Benefits Program (State plan). The “wellness program” must (1) be developed in consultation with the Secretary of Health and Mental Hygiene; (2) promote the goals of the Department of Health and Mental Hygiene State Health Improvement Process (SHIP); and (3) aim to achieve savings in the State plan over time that exceed the costs of the wellness program. The Secretary of Budget and Management must report to the Governor and specified committees of the General Assembly on implementation of the bill (1) within 60 days after the Department of Budget and Management (DBM) releases the request for proposals for administration of the State plan and (2) by February 1, 2016.

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**Fiscal Summary**

**State Effect:** Potential increase in expenditures for the State plan beginning in FY 2014 to develop and implement a wellness program. In future years, savings generated by the program may exceed expenditures. As the bill does not specify the components or parameters of the wellness program, actual expenditures cannot be reliably estimated at this time. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** “Wellness program” means a program designed to (1) promote health or prevent or detect disease or illness; (2) improve clinical outcomes; (3) prevent or reduce acute admission and readmissions to health care facilities; (4) improve treatment compliance for chronic conditions; (5) promote healthy behaviors; or (6) prevent or control injury.

**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 (HB 610/SB 638) 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.

**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, 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. In Delaware’s DelaWELL Health Management Program, eligible members receive access to a confidential online

wellness assessment, on-site health screenings, wellness challenges, online and on-site health seminars, personal health coaching, and condition care programs.

Enrollees can earn DelaWELL rewards of up to \$200 for participating in various activities throughout the year.

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 may increase beginning in fiscal 2014 to develop and implement a wellness program for the State plan. Actual expenditures cannot be reliably estimated and will depend on the design of the program and participation by State plan enrollees.

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.

**Additional Comments:** The Department of 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.

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### **Additional Information**

**Prior Introductions:** HB 638 of 2012 was heard by the House Appropriations and Health and Government Operations committees, but no further action was taken on the bill.

**Cross File:** HB 391 (Delegate Krebs, *et al.*) - Appropriations and Health and Government Operations.

**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

**Fiscal Note History:** First Reader - February 4, 2013  
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Analysis by: Jennifer B. Chasse

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510