

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 671

(Senators Astle and Benson)

Finance

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**Health Insurance - Coverage for Ostomy Equipment and Supplies - Required**

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This bill requires an insurer, nonprofit health service plan, or health maintenance organization (collectively known as carriers) that provides hospital, medical, or surgical benefits to provide coverage for all medically appropriate and necessary equipment and supplies for the treatment of ostomies.

The bill applies to all policies and contracts and health benefit plans that are subject to the bill and are issued, delivered, or renewed in the State on or after October 1, 2014.

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**Fiscal Summary**

**State Effect:** Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2015. To the extent medical expertise is required to update the list of medically appropriate and necessary equipment and supplies for the treatment of ostomies, MIA special fund expenditures may increase in future years. Any such increase is not anticipated to be significant. No impact on the State Employee and Retiree Health and Welfare Benefits Program.

**Local Effect:** Expenditures may increase for some local governments to the extent that medically appropriate and necessary equipment and supplies for the treatment of ostomies are not already covered.

**Small Business Effect:** None. The bill does not apply to health insurance sold to small businesses.

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## Analysis

**Bill Summary:** Medically appropriate and necessary equipment and supplies for the treatment of ostomies includes flanges, collection bags, clamps, irrigation devices, sanitizing products, ostomy rings, and ostomy belts. The Insurance Commissioner, in consultation with the Secretary of Health and Mental Hygiene, must adopt by regulation and periodically update a list of additional ostomy equipment and supplies that are medically necessary for the treatment of ostomies.

Coverage of equipment and supplies used for the treatment of ostomies may be subject to the annual deductibles or coinsurance requirements imposed by a carrier for similar coverages under the same policy or contract. The annual deductibles or coinsurance requirements imposed may not be greater than the annual deductibles or coinsurance requirements imposed by the carrier for similar coverages.

The bill does not apply to a policy or contract issued or delivered by an entity subject to the bill that provides the essential health benefits (EHBs) required under the federal Patient Protection and Affordable Care Act (ACA). Thus, the bill applies only to grandfathered health benefit plans in the individual market and all large group contracts. It does not apply to qualified health plans inside the Maryland Health Benefit Exchange (MHBE), nongrandfathered individual health benefit plans, or nongrandfathered health benefit plans offered to small employers.

**Current Law:** There are 45 mandated health insurance benefits that certain carriers must provide to their enrollees. The Maryland Health Care Commission (MHCC)'s January 2012 report on the fiscal impact of mandated health insurance benefits found that the full cost of all mandated benefits accounts for total premium costs of 18.8% for group health insurance, 19.6% for individual policies, and 17.9% for the State plan. 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.

ACA requires nongrandfathered health plans to cover 10 EHBs, which include items and services in the following categories: (1) ambulatory patient services; (2) emergency services; (3) hospitalization; (4) maternity and newborn care; (5) mental health and substance use disorder services, including behavioral health treatment; (6) prescription drugs; (7) rehabilitative and habilitative services and devices; (8) laboratory services; (9) preventive and wellness services and chronic disease management; and (10) pediatric services, including dental and vision care.

Under § 31-116 of the Maryland Insurance Article, EHBs must be included in the State benchmark plan and, *notwithstanding any other benefits mandated by State law*, must be the benefits required in (1) all individual health benefit plans and health benefit plans offered to small employers (except for grandfathered health plans) offered outside MHBE and (2) all qualified health plans offered in MHBE.

**Background:** An ostomy is surgery to create an opening (stoma) from an area inside the body to the outside. It treats certain diseases of the digestive or urinary systems and can be either temporary (when an organ needs time to heal) or permanent (when an organ must be removed). With an ostomy, there must be a new way for wastes to leave the body. Some examples of an ostomy include ileostomy, in which the bottom of the small intestine is attached to the stoma and bypasses the colon, rectum and anus; colostomy, in which the colon is attached to the stoma and bypasses the rectum and the anus; and urostomy, in which the tubes that carry urine to the bladder are attached to the stoma and bypass the bladder. An ostomy requires many supplies and equipment to properly care for the stoma. Pouching systems typically must be changed every three to seven days.

Medicare Part B covers ostomy supplies and equipment, but only a predetermined maximum quantity per month. Maryland Medicaid covers all medically necessary disposable medical supplies when ordered by a prescriber. Coverage of ostomy supplies and equipment by health insurance varies by policy. According to the United Ostomy Association of America, most health plans typically cover 80% of the reasonable and customary cost after any applicable deductible is met.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** United Ostomy Association of America, National Institute of Diabetes and Digestive and Kidney Diseases, Department of Budget and Management, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2014  
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Analysis by: Jennifer B. Chasse

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