Department of Legislative Services

Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 410 (Senator Beidle, *et al.*)
Finance

Health Insurance - Coverage for Insulin - Prohibition on Deductible, Copayment, and Coinsurance

This bill generally prohibits an insurer, nonprofit health service plan, or health maintenance organization (collectively known as carriers) from imposing a deductible, copayment, or coinsurance requirement on insulin. A high-deductible health plan (HDHP) may subject insulin to the plan's deductible requirement. **The bill takes effect January 1, 2020, and applies to all policies, contracts, and health benefits plans issued, delivered, or renewed in the State on or after that date.**

Fiscal Summary

State Effect: Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) in FY 2020 from the $125 rate and form filing fee. Review of filings can likely be handled with existing MIA resources. No effect on the State Employee and Retiree Health and Welfare Benefits Program (State plan), as discussed below.

Local Effect: Potential increase in health insurance premiums for local governments that purchase fully insured plans due to a reduction in allowable cost sharing. Revenues are not affected.

Small Business Effect: Likely minimal.

Analysis

Current Law: Under Maryland law, there are more than 50 mandated health insurance benefits that certain carriers must provide to their enrollees. This includes coverage for all medically appropriate and necessary diabetes equipment, supplies, and outpatient self-management training and educational services, including medical nutrition therapy. A carrier may not impose a deductible, copayment, or coinsurance on diabetes test strips, with the exception of an HDHP.

The federal Patient Protection and Affordable Care Act requires nongrandfathered health plans to cover 10 essential health benefits, which include prescription drugs. Diabetes equipment such as glucose monitors and insulin pumps are covered under durable medical equipment coverage for insulin-using beneficiaries, while diabetes supplies (insulin syringes, needles, and test strips) are covered under the prescription coverage for insulin-using beneficiaries.

HDHPs are health insurance plans with lower premiums and higher deductibles than traditional health insurance plans. HDHPs are often combined with a health savings account or health reimbursement account. An HDHP, as defined by 26 U.S.C. § 223, means a health plan (1) that has an annual deductible of at least $1,000 for individual coverage and $2,000 for family coverage and (2) for which the sum of the annual deductible and the other annual out-of-pocket expenses required to be paid under the plan (other than for premiums) for covered benefits does not exceed $5,000 for individual coverage and $10,000 for family coverage. Federal law provides for annual inflationary adjustments to the annual deductible under an HDHP. Currently, the deductible is $1,350 for an individual and $2,700 for a family.

Background: More than 30 million Americans have diabetes and approximately 7.4 million depend on insulin. Insulin is a naturally occurring hormone secreted by the pancreas. Many people with diabetes are prescribed insulin, either because their bodies do not produce insulin (type 1 diabetes) or do not use insulin properly (type 2 diabetes). More than 20 types of insulin are sold in the United States. These insulins differ in how they are made, how they work in the body, and how much they cost.

According to the American Diabetes Association (ADA), the average price of insulin nearly tripled between 2002 and 2013. ADA recommends that health plans and government programs cover insulin without cost sharing to increase medication adherence, achieve better long-term health outcomes, and remove financial barriers to accessing the medicine.

State Expenditures: The State plan is largely self-insured for its medical contracts, with the exception of one fully insured integrated health model medical plan (Kaiser). As prescription drug coverage is carved out of the Kaiser plan and provided through a separate prescription benefits manager (PBM), the State plan is not subject to this mandate.

Small Business Effect: Health insurance premiums may increase in the small group market due to a reduction in allowable cost sharing.

Additional Comments: MIA advises that, although the bill is drafted to the current large group mandate for coverage of diabetic supplies and related services, the bill's prohibition on cost sharing for insulin applies to *all* insurance products in the fully insured market that provide coverage for insulin. Furthermore, while the bill does not apply to a stand-alone prescription drug plan that provides coverage through a PBM, it does apply to any fully insured comprehensive health benefit plan that includes hospital, medical, or surgical benefits, regardless of whether the carrier provides the prescription benefit itself or through a PBM.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): American Diabetes Association; Department of Budget and Management; Maryland Department of Health; Maryland Health Benefit Exchange; Maryland Insurance Administration; Department of Legislative Services

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