SB 725

Department of Legislative Services

Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader - Revised

Senate Bill 725 (Senator McCray)
Finance

Health Insurance - Physical Therapy - Copayments, Coinsurance, and Deductibles

---

This bill prohibits a specified insurer, nonprofit health service plan, or health maintenance organization (collectively known as carriers), for each date covered physical therapy (PT) services are provided, from imposing a copayment, coinsurance, or deductible for the PT services that is greater than that imposed for a primary care visit under the same plan or contract. A carrier must clearly state in each plan or contract the coverage requirements, limitations, conditions, and exclusions for the provision of PT services. **The bill takes effect January 1, 2023, and applies to all policies, contracts, and health benefit plans issued, delivered, or renewed in the State on or after that date.**

Fiscal Summary

State Effect: Minimal increase in special fund revenues for the Maryland Insurance Administration in FY 2023 from the $125 rate and form filing fee; review of form filings can be handled with existing budgeted resources. Expenditures for the State Employee and Retiree Health and Welfare Benefits Program increase by at least $3.5 million in FY 2023 and at least $7.0 million annually thereafter, as discussed below.

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	-	$0	$0	$0	$0
GF/SF/FF Exp.	$3.5	$7.0	$7.0	$7.0	$7.0
Net Effect	($3.5)	($7.0)	($7.0)	($7.0)	($7.0)

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

Local Effect: To the extent the bill increases the cost of health insurance, expenditures for local governments that purchase fully insured medical plans increase. Revenues are not affected.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Under Maryland law, there are more than 50 mandated health insurance benefits that certain carriers must provide to their enrollees. The federal Patient Protection and Affordable Care Act requires nongrandfathered health plans to cover 10 essential health benefits (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, not withstanding 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 the Maryland Health Benefit Exchange (MHBE) and (2) all qualified health plans offered in MHBE.

State Fiscal Effect: The State Employee and Retiree Health and Welfare Benefits Program is largely self-insured for its medical contracts and, as such, except for the one fully insured integrated health model medical plan (Kaiser), is not subject to this mandate. However, the program generally provides coverage for mandated health insurance benefits.

The Department of Budget and Management (DBM) advises that, in 2021, the State paid approximately 380,000 PT claims totaling nearly $60.0 million. Many claims are for enrollees who are also covered by Medicare and for which the program is a secondary payor, paying the 20% of claims not paid by Medicare. DBM's actuary indicates that, under the bill, expenditures for the program increase by *at least* $7.0 million on an annualized basis. Therefore, State expenditures (general, special, and federal funds) increase by at least $3.5 million in fiscal 2023, reflecting the bill's January 1, 2023 effective date, and at least $7.0 million annually thereafter.

DBM notes that the department has continually subsidized a larger share of costs to ease the need to increase employee premiums. Thus, the bill results in a shift of approximately 50% of the costs from participant to plan. This estimate presumes the primary care provider copayment waiver applied for completing a wellness activity is applicable only to physicians who are designated primary care providers.

Small Business Effect: Health insurance costs may increase for small businesses with nongrandfathered small employer plans.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 974 (Delegate Kipke) - Health and Government Operations.

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

Fiscal Note History: First Reader - February 23, 2022
rh/ljm Revised - Updated Information - March 14, 2022

Analysis by: Jennifer B. Chasse

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