

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 75
Finance

**Insurance and Maryland Medical Assistance Program – Treatment of Alopecia
Areata – Coverage Requirements**

This bill requires Medicaid, subject to the limitations of the State budget, to provide coverage for (1) one hair prosthesis for a Medicaid recipient whose hair loss results from alopecia areata and (2) prescription drugs and medical devices approved by the U.S. Food and Drug Administration (FDA) for the treatment of alopecia areata. The bill also expands the current mandated health insurance benefit for coverage for hair prostheses to include coverage for an enrollee or insured whose hair loss results from alopecia areata if the hair prosthesis is prescribed by the attending physician of the enrollee or insured. **The bill takes effect January 1, 2024, 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 special fund revenue increase for the Maryland Insurance Administration (MIA) in FY 2024 from the \$125 rate and form filing fee. Any additional workload on MIA can likely be absorbed within existing budgeted resources. Medicaid general fund expenditures increase by *as much as* \$560,000 in FY 2024 and \$26,300 in out-years to provide hair prostheses. Expenditures for the State Employee and Retiree Health and Welfare Benefits Program increase by an indeterminate but likely minimal amount beginning in FY 2024 to provide hair prostheses (not shown below). **This bill increases the cost of an entitlement program beginning in FY 2024.**

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	-	\$0	\$0	\$0	\$0
GF Expenditure	\$560,000	\$26,300	\$26,300	\$26,300	\$26,300
Net Effect	(\$560,000)	(\$26,300)	(\$26,300)	(\$26,300)	(\$26,300)

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

Local Effect: Any impact on health insurance expenditures for local governments that purchase fully insured plans is anticipated to be minimal. Revenues are not affected.

Small Business Effect: Minimal.

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, 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 the Maryland Health Benefit Exchange (MHBE) and (2) all qualified health plans offered in MHBE.

Certain health insurers, nonprofit health service plans, and health maintenance organizations must cover the cost of one hair prosthesis for an individual whose hair loss results from chemotherapy or radiation treatment for cancer. The cost of the hair prosthesis may not exceed \$350.

State Fiscal Effect:

Medicaid

Under the bill, Medicaid must provide coverage for (1) one hair prosthesis for a Medicaid recipient whose hair loss results from alopecia areata and (2) FDA-approved prescription drugs and devices for the treatment of alopecia areata.

Hair Prosthesis: According to Hilltop Institute, there are approximately 1,600 Medicaid participants with alopecia areata. Coverage for hair prostheses is considered cosmetic and is, therefore, ineligible for federal matching funds. Thus, should Medicaid provide coverage for one hair prosthesis to all 1,600 individuals at a cost of \$350 per prosthesis,

Medicaid general fund expenditures increase by as much as \$560,000 in fiscal 2024. To the extent fewer individuals seek a hair prosthesis under the bill, expenditures are reduced.

In future years, Medicaid general fund expenditures increase by as much as \$26,250 to reflect provision of hair prostheses to an additional 75 new Medicaid participants diagnosed with alopecia areata annually.

Prescription Drugs and Devices for Alopecia Areata: In June 2022, FDA approved Olumiant (baricitinib) as an oral treatment for adult patients with severe alopecia areata. Olumiant blocks the activity of specific enzymes that interfere with inflammatory pathways. To date, this is the first and only pharmaceutical that has been approved by FDA to systemically treat severe alopecia areata. Maryland Medicaid established coverage of this medication. Thus, there is no additional fiscal impact for this requirement under the bill.

However, § 1927 of the federal Social Security Act states that no prescription drugs are covered under Medicaid for hair growth as it is cosmetic in nature and not medically necessary. Should the federal Centers for Medicare and Medicaid Services establish that Olumiant is cosmetic, the State would lose federal matching funds and coverage of this drug would require 100% State general funds.

State Employee and Retiree Health and Welfare Benefits Program

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 health insurance mandates. However, the program generally provides coverage for mandated health insurance benefits. Thus, State expenditures (general, special, and federal funds) increase by an indeterminate amount to provide one hair prosthesis for an individual whose hair loss results from alopecia areata. Any additional cost is assumed to be minimal.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

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