

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1489 (Delegate Martinez, *et al.*)
 Health and Government Operations

Maryland Medical Assistance Program - Coverage for the Treatment of Obesity

This bill requires Medicaid, beginning July 1, 2026, to provide “comprehensive coverage for the treatment of obesity,” including coverage for intensive behavioral therapy, bariatric surgery, and any medication approved by the U.S. Food and Drug Administration (FDA) with an indication for chronic weight management in patients with obesity. The Maryland Department of Health (MDH) must provide notice to Medicaid recipients of the coverage required under the bill, as specified.

Fiscal Summary

State Effect: MDH can provide the required notice with existing resources in FY 2026. However, Medicaid expenditures increase by an estimated \$225.8 million (58.9% federal funds, 41.1% general funds) in FY 2027 to cover anti-obesity medications, including staff and contractual modifications. Federal fund revenues increase accordingly. Future years reflect inflation. **This bill increases the cost of an entitlement program beginning in FY 2027.**

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
FF Revenue	\$0	\$132.9	\$135.9	\$138.9	\$141.9
GF/FF Exp.	\$0	\$225.8	\$230.8	\$235.9	\$241.1
Net Effect	\$0.0	(\$92.9)	(\$94.9)	(\$97.0)	(\$99.2)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: Coverage criteria for FDA-approved anti-obesity medications may not be more restrictive than the medication's indications for treatment. Medicaid may undertake utilization management to determine the medical necessity and appropriateness for treatment of obesity if the determinations are made in the same manner as determinations for any other illness, condition, or disorder covered by Medicaid.

By June 1, 2026, MDH must provide notice to Medicaid recipients of the coverage required under the bill in writing, and prominently positioned in any literature or correspondence sent to Medicaid recipients about coverage available under the program in calendar 2026.

Current Law: Chapters 777 and 778 of 2024 required MDH to study the impact of requiring Medicaid to provide comprehensive coverage for the treatment of obesity and report to specified committees of the General Assembly by December 31, 2024. MDH submitted the [report](#) in December 2024. According to the report, coverage of anti-obesity medication will cost Medicaid between \$225.0 million (assuming 15% uptake) and \$437.7 million (assuming 25% uptake) for prescription drugs only in fiscal 2026 (58.9% federal funds, 41.1% general funds), in addition to personnel and contracting costs.

Maryland Medicaid currently covers bariatric surgery and intensive behavioral therapy for participants who meet certain clinical criteria. Coverage of anti-obesity medication is limited to individuals with an obesity diagnosis and certain comorbidities. Medicaid covers Byetta, Ozempic, Trulicity, Victoza, Bydureon, Mounjaro, Rybelsus, and Wegovy for FDA-approved indications other than obesity. All of those medications (except for Wegovy) are used for type 2 diabetes. In 2024, Medicaid began covering Wegovy for participants who are overweight or obese and have cardiovascular disease.

State Fiscal Effect: While Medicaid currently covers bariatric surgery, intensive behavioral therapy, and anti-obesity medication for individuals with certain comorbidities, MDH anticipates substantial fiscal impact attributed to coverage of anti-obesity medications, both for prescription drug costs and additional staffing.

Prescription Drug Costs

Using assumptions and data from MDH's December 2024 report, Medicaid expenditures increase by an estimated \$225.0 million (58.9% federal funds, 41.1% general funds) in fiscal 2027 to cover FDA-approved anti-obesity drugs based on specified assumptions. This estimate reflects the July 1, 2026 requirement for coverage. The information and assumptions used in calculating the estimate are stated below:

- Current utilization of anti-obesity medications for individuals with certain comorbidities is \$122.4 million.

- Projected Medicaid enrollment in fiscal 2026 is 1,240,000.
- In fiscal 2026, an estimated 401,223 Medicaid participants aged 12 to 64 will be obese and eligible for anti-obesity medications.
- An estimated 15% (60,183) of those eligible will be prescribed anti-obesity medication, using MDH's lower bound uptake estimate.
- Anti-obesity medications have an average monthly cost of \$1,292 per person.
- Individuals will be prescribed an anti-obesity medication for an average of 5.3 months per year.
- The projected total months of utilization will be 321,120.
- Total costs for anti-obesity medications are \$414.9 million.
- After accounting for current utilization of these drugs, total expenditures increase by \$292.5 million.
- After accounting for drug rebates, total costs are estimated at \$225.0 million.
- The prescription drugs specified above for coverage receive a 58.9% blended federal match.
- Future year expenditures reflect 2.2% annual inflation.

To the extent uptake of anti-obesity drugs differs from the 15% assumed above, costs increase or decrease accordingly. *For illustrative purposes only*, should only 5% of those eligible (20,061) be prescribed anti-obesity medication, costs are estimated to be approximately \$75.0 million. Conversely, should uptake be as high as 25%, costs are anticipated to be \$437.7 million

To the extent that anti-obesity medications reduce obesity rates among Medicaid participants, there may be long-term reductions in Medicaid spending on chronic diseases associated with obesity, such as heart disease, type 2 diabetes, and certain types of cancer. This estimate does not reflect such savings as they cannot be reliably projected.

Administrative Costs

In addition to the cost to cover anti-obesity medications, MDH advises that Medicaid requires additional personnel to manage increased demand for the drugs and increased denial reviews. Additional annual contractual costs will also be incurred for Medicaid's pharmacy benefits manager (PBM) to review increased prior authorization requests.

Thus, Medicaid expenditures increase by an additional \$882,483 (50% general funds, 50% federal funds) in fiscal 2027. This reflects the cost of hiring two pharmacists and one physician program specialist effective July 1, 2026, and annual contractual costs for Medicaid's PBM. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3.0
Salaries and Fringe Benefits	\$471,515
Contractual Costs for Medicaid's PBM	388,000
Operating Expenses	<u>22,968</u>
Total FY 2027 State Administrative Expenditures	\$882,483

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Additional Comments: In November 2024, the federal Centers for Medicare and Medicaid Services issued a proposed rule reinterpreting the current federal prohibition on coverage of “agents used for weight loss” to permit coverage of anti-obesity medications for the treatment of obesity when such drugs are indicated to reduce excess body weight and maintain long-term weight reduction for individuals with obesity. MDH advises that, should this rule be implemented, it would require Medicaid (and Medicare Part D) to cover anti-obesity medications for individuals with an obesity diagnosis.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 594 and HB 986 of 2024.

Designated Cross File: SB 876 (Senators Hershey and Mautz) - Finance.

Information Source(s): Maryland Department of Health; Department of Legislative Services

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