

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1264
Health

(Delegate Hill, *et al.*)

Public Health - Maryland Medical Assistance Program - Tobacco Cessation

This bill requires Medicaid, subject to the limitations of the budget and as permitted by federal law, to provide individual and group counseling for the purpose of tobacco cessation. Medicaid and a managed care organization (MCO) may not require prior authorization for any product or service for use in eliminating an individual's dependence on tobacco.

Fiscal Summary

State Effect: To the extent that the bill's prohibition on prior authorization increases utilization of tobacco cessation counseling and related prescription medications, Medicaid expenditures (60% federal funds, 40% general funds) increase by an indeterminate amount beginning in FY 2027. Federal fund revenues increase accordingly. Any additional expenditures may be offset by long-term savings from a reduction in tobacco dependence.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Medicaid currently provides individual and group tobacco cessation counseling. Specialized mental health and community-based substance use disorder counseling services, which include treatment for nicotine dependence associated with a carve-out diagnosis, are administered through the behavioral health Administrative Service Organization and receive automatic authorization upon fulfillment of medical necessity criteria. However, tobacco cessation services delivered by a primary care provider,

including services furnished in a federally qualified health center, are subject to MCO utilization management requirements, which could include prior authorization.

Medicaid also provides coverage for tobacco cessation medications, such as nicotine replacement therapy and other pharmaceutical agents, which are reimbursed under the fee-for-service pharmacy benefit. Most tobacco cessation medications require prior authorization.

State Fiscal Effect: Medicaid advises that, in fiscal 2024, approximately 9,800 Medicaid participants received tobacco cessation counseling services across MCOs, and approximately 5,700 participants received medical services with a primary diagnosis of nicotine dependence. Additionally, more than 52,000 participants received tobacco cessation medications, including nicotine replacement therapy, varenicline, or bupropion.

MDH advises that the bill's prohibition on prior authorization likely increases utilization of tobacco cessation counseling services and tobacco cessation medications. MDH asserts that, assuming a 15% increase in utilization, costs increase by a total of \$1.5 million annually (60% federal funds, 40% general funds), including \$258,000 for additional tobacco cessation counseling services and \$1.2 million for additional tobacco cessation medications. Federal fund revenues increase accordingly.

The Department of Legislative Services notes that increased utilization of these services and medications is likely to lead to a reduction in dependence on tobacco and result in associated long-term savings.

Additional Information

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

Designated Cross File: SB 798 (Senator Lam) - Finance and Budget and Taxation.

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

Fiscal Note History: First Reader - March 3, 2026
caw/ljm

Analysis by: Jennifer B. Chasse

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