

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 205

(Chair, Finance Committee)(By Request - Departmental -
Maryland Insurance Administration)

Finance

**Health Insurance - Mental Health and Substance Use Disorders - Codification of
Federal Requirements**

This departmental bill codifies portions of the 2024 federal Mental Health Parity Rule to strengthen enforcement of parity requirements for the treatment of mental health and substance use disorders (MH/SUDs). Provisions include a prohibition on the use of discriminatory factors and evidentiary standards in the design of nonquantitative treatment limitations (NQTLs); requirements for carriers to collect, evaluate, and act on relevant outcomes data for NQTLs; and a requirement that carriers offer meaningful benefits for MH/SUDs on par with benefits for medical/surgical services. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: The Maryland Insurance Administration (MIA) can promulgate regulations to enforce the bill using existing budgeted resources. No impact on the State Employee and Retiree Health and Welfare Benefits Program. Revenues are not affected.

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary:

Definitions

“Core treatment” means a standard treatment or course of treatment, therapy, service, or intervention indicated by generally recognized independent standards of current medical practice.

“Mental health benefits” means benefits with respect to items or services for mental health conditions that are defined under the terms of a health benefit plan and in accordance with applicable federal and State law. “Mental health benefits” does not include medical/surgical benefits or substance use disorder (SUD) benefits.

“Substance use disorder benefits” means benefits with respect to items or services for SUDs that are defined under the terms of a health benefit plan in accordance with applicable federal and State law. “Substance use disorder benefits” does not include medical/surgical benefits or mental health benefits.

Nonquantitative Treatment Limitations

The bill specifies how each carrier must identify NQTLs. Identification must be done in accordance with any State regulations (in addition to being done in accordance with federal law). Each carrier must (1) collect and evaluate relevant data in a manner reasonably designed to assess the impact of each NQTL on relevant outcomes related to access to MH/SUD benefits and medical/surgical benefits, and (2) with respect to NQTLs related to network composition, collect and evaluate relevant data in a manner reasonably designed to assess the aggregate impact of all the NQTLs on access to MH/SUD benefits and medical/surgical benefits. The evaluation of relevant data must be provided (along with the comparative analysis) to the Insurance Commissioner.

If the relevant data indicates that the NQTL contributes to material differences in access to MH/SUD benefits as compared to medical/surgical benefits in a Parity Act classification, the differences must be considered a strong indicator of noncompliance and may subject the carrier to existing penalties. A carrier must submit to the Commissioner documentation of reasonable actions that have been or are being taken to address the material differences to ensure compliance within 15 working days of a request from the Commissioner.

Comparative Analysis

A comparative analysis of NQTLs (already required under current law) must also (1) demonstrate that none of the information, evidence, sources, or standards on which a factor or evidentiary standard is based is biased or not objective in a manner that discriminates against MH/SUD benefits as compared to medical/surgical benefits and (2) demonstrate that the health benefit plan provides meaningful benefits for each covered mental health condition and SUD in every Parity Act classification in which medical/surgical benefits are provided.

The benefits provided for the mental health condition or SUD must be compared to the benefits provided for medical conditions and surgical procedures in each classification to determine which benefits are meaningful. Benefits are not meaningful unless coverage is provided for a core treatment for the mental health condition or SUD in each classification in which coverage is provided for a core treatment for one or more medical conditions or surgical procedures. If there is no core treatment for a covered mental health condition or SUD, the health benefit plan is not required to provide benefits for a core treatment but is required to provide benefits for the covered mental health condition or SUD in every Parity Act classification in which medical/surgical benefits are provided.

Current Law: Maryland's mental health parity law (§ 15-802 of the Insurance Article) prohibits discrimination against an individual with a mental illness, emotional disorder, or SUD by failing to provide benefits for the diagnosis and treatment of these illnesses under the same terms and conditions that apply for the diagnosis and treatment of physical illnesses. Carriers must submit a demonstration of mental health parity compliance when they submit their form filings in the individual, small group, or large group fully insured markets. Self-insured plans are not required to submit documentation to MIA but rather are subject to federal fines and penalties for failure to comply.

The federal Parity Act requires group health plans of large employers, as well as qualified health plans sold in health insurance exchanges and in the small group and individual markets, to equalize health benefits for addiction and mental health care and medical and surgical services in many fundamental ways. Group health plans may not impose separate or more restrictive financial requirements or treatment limitations on MH/SUD benefits than those imposed on other general medical benefits. The Parity Act also imposes nondiscrimination standards on medical necessity determinations.

Under Maryland law, carriers must demonstrate compliance with the Parity Act (including any related regulations) through submission of a biennial compliance report to the Commissioner that includes specified information, including information on select NQTLs, and results from a comparative analysis conducted by the carrier. In any review conducted by the Commissioner or in any complaint investigation or market conduct action

undertaken that involves the application of the Parity Act, a carrier has the burden of persuasion in demonstrating that its design and application of an NQTL complies with the Parity Act. Failure of a carrier to submit complete Parity Act compliance information constitutes noncompliance with the Parity Act.

Background: On May 15, 2025, the U.S. Departments of Labor, Health and Human Services, and Treasury announced that they would no longer enforce the September 2024 *Requirements Related to the Mental Health Parity and Addiction Equity Act Final Rule* (2024 Final Rule) or pursue enforcement actions based on a failure to comply with the rule. MIA advises that the federal government is considering either revising or rescinding the 2024 Final Rule in response to a lawsuit filed in the U.S. District Court (*ERISA Industry Committee v. Department of Health and Human Services, et al.*). MIA has authority under § 15-144 of the Insurance Article to continue to enforce the requirements of the 2024 Final Rule under Maryland law until and unless the rule is formally rescinded.

Many of the provisions of the 2024 Final Rule are consistent with how MIA had been interpreting and enforcing the Parity Act prior to the publication of the 2024 Final Rule. MIA plans to continue to enforce those requirements even if the 2024 Final Rule is rescinded. However, there are certain requirements under the 2024 Final Rule that had not previously been required by MIA. Codifying them in State law allows MIA to enforce those provisions regardless of whether the 2024 Final Rule is revised or rescinded.

Additional Information

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

Designated Cross File: HB 280 (Chair, Health Committee)(By Request - Departmental - Maryland Insurance Administration) - Health.

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

Fiscal Note History: First Reader - January 26, 2026
jg/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Health Insurance – Mental Health and Substance Use Disorders – Codification of Federal Requirements

BILL NUMBER: SB 205

PREPARED BY: Jamie N. Sexton
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PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The Maryland Insurance Administration (MIA) estimates that the proposed bill will have no meaningful impact on Maryland small businesses.