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## **HOUSE BILL 1031 Health Insurance - Required Coverage - Prescription Weight Loss Drugs**

### **Letter of Information**

**DATE: February 27, 2025**

**COMMITTEE: Health and Government Operations**

**SUMMARY OF BILL:** House Bill 1031 seeks to require insurers, nonprofit health service plans and health maintenance organizations to cover prescription weight loss drugs for individuals who have been diagnosed with obesity and at least one comorbid medical condition. This requirement would apply to health insurance policies or contracts that are issued or delivered in the State of Maryland.

### **EXPLANATION:**

The Secretary of Budget and Management (DBM) has broad authority for administration of the State Employee and Retiree Health and Welfare Benefits Program (the Program), and DBM's Office of Personnel Services and Benefits, Employee Benefits Division (EBD), administers the medical and prescription drug benefits coverage for State employees, retirees, and their dependents.

If House Bill 1031 were passed and the Program were to comply, an incremental increase in spend of \$40 - \$50 per member per month (PMPM) would be expected with an annual increase in plan costs of \$54M to \$68M, net of any rebates the state would receive.

An accurate cost impact is dependent on multiple factors that make an exact cost estimate difficult to determine. One of these factors is due to House Bill 1031 not addressing potential utilization management requirements that could be implemented for weight loss drugs.

DBM closely monitors therapeutic classifications and potential changes. For example, in 2024, two weight loss drugs were approved for secondary indications:

- Wegovy is eligible under the State Employee and Retiree Health and Welfare Benefits Program (the Program) following its approval for its second indication, reducing the risk for major adverse cardiovascular events (MACE). The individual seeking approval for the use of Wegovy must have had a heart attack or stroke and be obese.

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- Zepbound now has a second indication to treat moderate to severe obstructive sleep apnea in adults with obesity and one other weight-related medical condition. The Program does not yet cover Zepbound as the clinical PA requirements have not been finalized but we are reviewing it for future inclusion.

Depending on the type of utilization management requirements put in place, the Plan costs could be significantly impacted. We would add that because weight loss drugs have only been on the market for a limited time, reliable data is not available on factors such as changes to prescriber best practices, patient discontinuation rates, shortages of supply, future market competition between manufacturers and additional indications. These additional factors could also have a significant impact on Plan costs.

DBM has also been advised by our actuarial consultants that HB 1031 would have an impact on the Other Postemployment Benefits (OPEB) liability. They estimate an increase in net prescription drug cost to the plan of 17.7% beginning January 1, 2026.

The estimated impact on key OPEB metrics is summarized in the table below:

Change in Net OPEB Liability	\$15,518,000
Change in OPEB Expense (Year 1)	\$16,835,000
Change in OPEB Expense (Years 2+)	\$1,336,000

For this purpose, we maintain the valuation assumption that retiree contributions toward health coverage will increase at the same rates as the cost of benefits.

The Program, as a self-funded plan, is not subject to state mandates, but the Program regularly complies voluntarily. Given the increase to Plan cost that we would anticipate with this change, the Program likely would not be able to comply with this mandate to include prescription drugs for the exclusive indication of weight loss.

**For additional information, contact Dana Phillips at  
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