

Department of Legislative Services
 Maryland General Assembly
 2011 Session

FISCAL AND POLICY NOTE

Senate Bill 603 (Senator Raskin)
 Finance

Health Insurance - Coverage for Preventive Physical Therapy - Required

This bill requires health insurance policies and contracts issued by insurers, nonprofit health service plans, and health maintenance organizations to provide coverage for medically necessary “preventive physical therapy” for individuals with multiple sclerosis (MS). Coverage must be subject to the same requirements or limitations imposed on other physical or rehabilitative therapy benefits under the policy or contract.

The bill applies to all policies and contracts issued, delivered, or renewed in the State on or after October 1, 2011.

Fiscal Summary

State Effect: State Employee and Retiree Health and Welfare Benefits Program (State plan) expenditures increase by \$892,000 in FY 2013 to cover preventive physical therapy for individuals with MS. Future years reflect medical inflation. Minimal increase in special fund revenues for the Maryland Insurance Administration (MIA) from the \$125 rate form and filing fee in FY 2012. The review of rate filings can be handled within existing MIA resources.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Revenue	-	\$0	\$0	\$0	\$0
GF Expenditure	\$0	\$526,300	\$568,400	\$613,900	\$663,000
SF Expenditure	\$0	\$267,600	\$289,000	\$312,100	\$337,100
FF Expenditure	\$0	\$98,100	\$106,000	\$114,400	\$123,600
Net Effect	\$0	(\$892,000)	(\$963,400)	(\$1,040,400)	(\$1,123,700)

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

Local Effect: Expenditures increase for some local governments to the extent that preventive physical therapy for individuals with MS is not already covered.

Small Business Effect: None. The bill does not apply to the small group health insurance market.

Analysis

Bill Summary: “Preventive physical therapy” is physical therapy that (1) is prescribed by a licensed physician; (2) treats the parts of the body affected by MS; (3) has reasonably defined goals, including maintenance of an individual’s level of functioning; and (4) includes periodic evaluation of the efficacy of the therapy in achieving the defined goals.

Current Law/Background: Statute includes 45 mandated health insurance benefits that certain carriers must provide to their enrollees. Every four years, the Maryland Health Care Commission (MHCC) examines the fiscal impact of mandated benefits. In 2008, MHCC found that these benefits account for 15.4% of total premium costs for group health insurance and 18.6% of total premium costs for individual policies.

Maryland’s small group market Comprehensive Standard Health Benefit Plan (CSHBP) is not subject to mandated benefits applicable to the large group market. Rather, MHCC reviews CSHBP on an annual basis and considers making benefit or cost-sharing changes at that time.

Mercer conducted an analysis of coverage of preventive physical therapy services for patients diagnosed with MS on behalf of MHCC. In the January 2011 report, Mercer noted that carriers typically distinguish between *restorative* physical therapy, which focuses on restoring function, and *preventive* physical therapy, which focuses on maintaining and preventing further deterioration of function. While all carriers cover restorative physical therapy, only one covers all physical therapy, subject to prior authorization requirements, without making such distinction. As one carrier currently covers the service, Mercer estimates that the marginal cost of mandating coverage of preventive physical therapy for MS patients would cost between 0.1% and 0.3% per policy or \$5.54 to \$14.53 per employee, per year for group policies.

According to the National Multiple Sclerosis Society, approximately 400,000 Americans have MS, and every week about 200 people are diagnosed. MS is a chronic, often disabling, disease that attacks the central nervous system. Symptoms may be mild, such as numbness in the limbs, or severe, such as paralysis or loss of vision. It is now generally accepted that MS involves an autoimmune process – an abnormal response of the body’s immune system that is directed against myelin, the fatty sheath that surrounds and insulates nerve fibers. The progress, severity, and specific symptoms of MS are

unpredictable and vary from one person to another. Physical therapy interventions may assist patients with MS achieve and maintain maximum physical, psychological, social, and vocational potential.

The State of Illinois requires fully insured health plans and state, county, and municipally sponsored self-insured health plans to provide coverage for preventive physical therapy for individuals with MS.

State Fiscal Effect: Although not required to follow health insurance mandates, the State plan generally does. Thus, this estimate is based on the assumption that the State plan will follow the bill's requirements. However, since the State plan contract runs on a fiscal-year basis, coverage of preventive physical therapy for individuals with MS specified under the bill would not be included until the fiscal 2013 plan year.

Based on guidance from its actuarial consultants, the Department of Budget and Management reports that coverage of preventive physical therapy for individuals with MS will increase total State plan costs by approximately 0.1% annually. Fiscal 2010 total State plan costs are \$708.1 million with 8% annual medical inflation expected in future years. Thus, State plan expenditures increase by an estimated \$892,003 in fiscal 2013 to cover preventive physical therapy for patients diagnosed with MS.

For illustrative purposes only, using the marginal cost estimate of \$5.54 to \$14.53 per employee, per year for group policies noted in the Mercer report, State plan expenditures could range from \$604,281 to \$1.6 million annually.

State plan expenditures are split 59% general funds, 30% special funds, and 11% federal funds. Future year estimates reflect 8% medical cost inflation.

Local Fiscal Effect: Local government expenditures (for those that purchase fully insured plans from an insurance company) increase for some local governments that do not already cover the treatment of preventive physical therapy for individuals with MS.

Additional Information

Prior Introductions: None.

Cross File: HB 446 (Delegate Nathan-Pulliam, *et al.*) - Health and Government Operations.

Information Source(s): *Annual Mandated Health Insurance Services Evaluation*, Prepared for the Maryland Health Care Commission, January 20, 2011; National Multiple Sclerosis Society; Department of Budget and Management; Maryland Health Insurance Plan; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

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