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SFA BILL ANALYSIS

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Senate Bill 260 (Substitute S-2 as reported)
Senate Bill 261 (Substitute S-2 as reported)
Senate Bill 262 (Substitute S-2 as reported)
Sponsor: Senator John J.H. Schwarz, M.D.
Committee: Health Policy

CONTENT

The bills would amend three Acts to require health insurers, health maintenance organizations (HMOs), and Blue Cross and Blue Shield of Michigan (BCBSM) to include coverage for certain equipment, supplies, and educational training for the treatment of diabetes, if prescribed by an allopathic or osteopathic physician; and certain medications and training prescribed and provided by a podiatrist. Under the bills, "diabetes" would include gestational diabetes, insulin-using diabetes, and non-insulin-using diabetes. Senate Bill 260 would amend the Nonprofit Health Care Corporation Reform Act, which governs BCBSM; Senate Bill 261 would amend the Insurance Code; and Senate Bill 262 would amend the Public Health Code.

The bills would require BCBSM in each group and nongroup certificate, a health insurer that issued an expense-incurred hospital, medical, or surgical policy or certificate, and an HMO in each group and individual contract, to provide the following equipment, supplies, and educational training for diabetes treatment if prescribed by a physician: blood glucose monitors, and blood glucose monitors for the legally blind; test strips for glucose monitors, visual reading and urine testing strips; lancets and spring-powered lancet devices; insulin; mechanical injections aids; cartridges for the legally blind; syringes; insulin pumps and appurtenances; insulin infusion devices; and oral agents for controlling blood sugar. (Senate Bill 261 (S-2) would not require an insurer to include coverage for insulin or for oral agents for controlling blood sugar and other medications. Instead, the bill provides that if an insurer issued a policy or certificate that provided outpatient pharmaceutical coverage directly or by rider, then the policy or certificate would have to include coverage, if prescribed by a physician, for insulin, and oral agents for controlling blood sugar and other medications if filled by a pharmacist.

Further, a health certificate, policy, or contract also would have to provide for diabetes self-management training, if prescribed by a physician, to ensure that persons with diabetes were trained as to the proper self-management and treatment of their diabetic condition, including information on medical nutrition therapy.

Proposed MCL 550.416b (S.B. 260)
Proposed MCL 500.3406n (S.B. 261)
Proposed MCL 333.21053e (S.B. 262)

Legislative Analyst: G. Towne

FISCAL IMPACT

The enactment of these bills could have a material direct and indirect impact on State finances. By definition, mandating insurance coverage for a health service or services will increase costs to the insured at large, at least in the short run. This is due to the fact that the prima facie impetus behind the mandate is to provide these services (which have a cost), to persons who need the services but cannot currently afford them. In the instant case, a Type I diabetic (requiring insulin to survive) without insurance would spend around $1,100 per year, excluding the cost of insulin, for such things as: blood glucose monitors and test strips, lances, and syringes.

With mandated coverage, these costs would be spread across all insured persons rather than any given diabetic. However, the major fiscal impact of these bills would come not from the coverage of these basic home care items, but rather from the potential for an increased demand of substantially more costly diabetic-related items. These include a variety of insulin infusion devices that cost anywhere from $4,000 to $5,000 and new non-invasive or semi-invasive blood glucose monitors that should be coming to market soon with an initial cost of $500 or so. The bottom line is that the cost of diabetic home care devices could jump by a factor of

three or four times given broad insurance coverage of these items. Given that there are probably 37,500 Type I diabetics and 337,500 Type II diabetics, with 40% of those requiring insulin, the likelihood of a system-wide insurance cost increase is probable even if a specific price tag cannot be estimated. While it is recognized that improved home care can dely or eliminate many of the debilitating and costly consequences of poorly managed diabetic treatment, the saving that could occur as a result of these bills would not be apparent for a number of years down the road.

Date Completed: 3-16-99 Fiscal Analyst: J. Walker