

Department of Legislative Services  
Maryland General Assembly  
2000 Session

FISCAL NOTE  
Revised

Senate Bill 405 (Senator Astle)

Finance

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**Health Maintenance Organizations - Reimbursement of Non-Contracting Providers**

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This bill requires an HMO to pay a claim for a covered service rendered to an enrollee by a health care provider that is not under written contract with the HMO at the greater of: (1) 125% of the rate the HMO pays in the same geographic region, for the same covered service, to a similarly licensed provider under written contract with the HMO; or (2) the rate as of January 1, 2000 that the HMO paid in the same geographic region, for the same covered service, to a similarly licensed provider not under written contract with the HMO.

The bill's requirements apply to health care services rendered on or after October 1, 2000.

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**Fiscal Summary**

**State Effect:** One-time \$200,000 special fund expenditure increase in FY 2001 for the Health Services Cost Review Commission (HSCRC) to develop payment methodologies for fair reimbursement to non-contracting providers. Potential minimal increase in State Employee Health Benefits Plan expenditures as a result of the bill's reimbursement rate requirements to non-contracting providers. Any additional complaints filed with the Maryland Insurance Administration (MIA) could be handled with existing budgeted resources. No effect on Medicaid or the Office of the Attorney General. No effect on revenues.

**Local Effect:** Expenditures for local jurisdiction employee health benefits could increase if carriers raise their premiums as a result of the bill's requirements. Revenues would not be affected.

**Small Business Effect:** Potential minimal. Health care providers that submit claims to HMOs may receive higher reimbursements.

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## Analysis

**Bill Summary:** An HMO must disclose the reimbursement rate to a non-contracting provider at the provider's request. A provider may enforce payment provisions by filing a complaint against an HMO with the MIA or by filing a civil action. The MIA or the court must award reasonable attorney fees if the provider's complaint is sustained.

The bill also repeals uncodified language that requires the MIA and the former Health Care Access and Cost Commission (now Maryland Health Care Commission) to study the usual, customary, and reasonable (UCR) rates paid by HMOs for claims of non-contracting health care providers and submit an interim report on or before January 1, 2000.

The HSCRC, in consultation with the Maryland Health Care Commission (MHCC), the MIA, and other interested parties, must develop a methodology for ensuring reasonable payment by an HMO to non-contracting health care providers. The HSCRC must report its findings and recommendations to the House Economic Matters Committee and the Senate Finance Committee by January 1, 2002.

The bill takes effect October 1, 2000. The bill's provisions relating to HMO payments to non-contracting providers sunset June 30, 2002.

**Current Law:** An HMO that pays a health care provider at the usual, customary, and reasonable (UCR) rate cannot determine the UCR rate based on reimbursement rates for Medicare, Medicaid, or workers' compensation payments. An HMO does not bear the burden of proving that its payment is at the UCR rate, but must provide a health care provider with the HMO's methodology used to determine the UCR rate.

**State Expenditures:** The HSCRC, in consultation with the MHCC, the MIA, and other interested parties, will develop a methodology for ensuring reasonable payments to non-contracting providers by HMOs. Special fund expenditures will increase by \$200,000 in fiscal 2001 for HSCRC to contract with a consultant to conduct market studies and help develop payment methodologies. State Employee Health Benefits Plan expenditures would increase to the extent that the bill's reimbursement rate requirements erode an HMO's ability to control provider costs and the HMO passes the increased costs on to the State plan as increased premiums. Any increase is expected to be minimal.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 365 (Delegate Donoghue) - Economic Matters.

**Information Source(s):** Department of Health and Mental Hygiene (Health Care Commission, Health Services Cost Review Commission, Office of Health Care Quality, Medicaid), Office of the Attorney General, Department of Budget and Management (Employee Benefits Division), CareFirst of Maryland, Department of Legislative Services

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