

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 1360
Economic Matters

(Delegate Harrison)

**Motor Vehicle Insurance - Claims by Members and Subscribers of Health
Maintenance Organizations**

This bill prohibits a health maintenance organization (HMO) from excluding or limiting coverage for a service or treatment otherwise covered under a contract or certificate issued to a member or subscriber solely on the basis that the need for the service or treatment arose from: (1) a motor vehicle accident; or (2) any other incident for which a member or subscriber may have a cause of action against another person. For the purposes of personal injury protection (PIP), the bill defines "incurred" to mean expenses for which an individual has or may become legally liable to pay. The bill specifies that coverage provided under an HMO contract or certificate is not a "collateral source" for the purposes of the provision requiring a motor vehicle insurer to provide PIP coverage regardless of any collateral source of medical, hospital, or wage continuation benefits.

Fiscal Summary

State Effect: Special fund revenues could increase by approximately \$25,000 in FY 2003 from the \$125 rate and form filing fee charged by the Maryland Insurance Administration (MIA). Expenditures would not be affected.

Maryland Automobile Insurance Fund (MAIF): Potential decrease in PIP payments because of the bill.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: PIP benefits are payable without regard to: (1) the fault or nonfault of the named insured or the recipient of the benefits in causing or contributing to the motor vehicle accident; and (2) any collateral source of medical, hospital, or wage continuation benefits. PIP benefits must be reduced to the extent that the recipient has recovered workers' compensation benefits for which the benefit provider has not been reimbursed.

The minimum medical, hospital, and disability benefits provided by a PIP insurer must include up to \$2,500 for: (1) payment of all reasonable and necessary expenses that arise from a motor vehicle accident and that are incurred within three years after the accident for specified medical expenses; (2) payment of benefits for 85% of an individual's lost income within three years after, and resulting from, a motor vehicle accident; and (3) payments made in reimbursement of reasonable and necessary expenses incurred within three years after a motor vehicle accident for essential services ordinarily performed for the care and maintenance of the family or family household by an individual who was injured in the accident and not earning income when the accident occurred.

Under *Dutta v. State Farm*, 363 Md. 540 (2001), an individual is entitled to reimbursement under PIP coverage for medical expenses incurred on that individual's behalf, regardless of who incurs the medical expenses. The *Dutta* court found an HMO's payment of an injured individual's medical expenses to be a "collateral source of medical and hospital benefits" within the meaning of the PIP statute and for which payment under PIP coverage may not be excluded.

State Revenues: MIA advises that approximately 100 independent insurers and rating bureaus would file one PIP endorsement form and an accompanying rate/rule. Based on this estimate, special fund revenues to MIA would increase by \$25,000 in fiscal 2003.

MAIF: MAIF advises that the bill would make more money available to pay for lost wages under PIP coverage because its PIP limit is \$2,500. Further, because its insureds are less likely to also be members of medical insurance programs, MAIF estimates that the bill would lower its PIP payments by approximately 2%, or approximately \$180,000 annually, based on calendar 2001 totals.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Automobile Insurance Fund, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Transportation (Motor Vehicle Administration), Department of Legislative Services

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