

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

House Bill 14 (Delegate Smigiel)
Health and Government Operations

**Health Insurance - Medically Underserved Areas and Populations -
Reimbursement for Covered Services Rendered by Telemedicine**

This bill requires insurers, nonprofit health service plans, and health maintenance organizations (carriers) to reimburse licensed health care providers for a covered service rendered by telemedicine to an insured or enrollee in a medically underserved area or population. Reimbursement for services rendered by telemedicine must be at the same rate established by the carrier for the same or a substantially similar service that is rendered in person.

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: Expenditures for the State Employee and Retiree Health and Welfare Benefits Program (State plan) increase by a potentially significant amount beginning in FY 2013 to reimburse for certain telemedicine services. Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2012. Review of filings can be handled with existing budgeted MIA resources.

Local Effect: Potential increase in expenditures for some local governments to reimburse for certain telemedicine services.

Small Business Effect: The bill does not impact the small group health insurance market. However, some small business health care providers could receive increased reimbursement for certain telemedicine services under the bill.

Analysis

Bill Summary: “Medically underserved area or population” (MUA/P) is an area or population designated by the U.S. Health Resources and Services Administration (HRSA) as having too few primary care providers, high infant mortality, high poverty, or high elderly population. “Telemedicine” is the use of medical information exchanged from one site to another via electronic communications to improve a patient’s health status.

Current Law: In general, Title 15, Subtitle 7 of the Insurance Article requires health insurance policies, contracts, and certificates to reimburse for any covered service if a practitioner is providing services within the lawful scope of practice. Policies, contracts, and certificates must provide the option of covering services rendered by certain licensed providers.

Background:

National Activity

Twelve states (California, Colorado, Georgia, Hawaii, Kentucky, Louisiana, Maine, New Hampshire, Oklahoma, Oregon, Texas, and Virginia) mandate health insurance coverage of telemedicine or telehealth services.

In June 2009, Virginia’s Joint Legislative Audit and Review Commission issued an evaluation of proposed legislation to mandate coverage of telehealth services (legislation was enacted in April 2010). The evaluation concluded that the premium costs associated with mandated coverage of telehealth services were expected to be low initially (\$0.83 per policy per month for individual and group policies) and less than that of many existing mandates, primarily due to low utilization. However, the premium impact could increase over time as the telemedicine industry grows.

Medicare and Medicaid Coverage

The federal Medicare program provides reimbursement for some telemedicine services. Beneficiaries must present from an originating site located in either a rural health professional shortage area (HPSA) or a county outside of a metropolitan statistical area (MSA). Covered services are limited and must be provided at qualifying originating sites by designated Medicare practitioners.

Telemedicine is not a distinct service under Medicaid. However, states may seek a State Plan Amendment to cover telemedicine. Maryland Medicaid currently does not reimburse for telemedicine. According to the American Telemedicine Association, an

estimated 25 state Medicaid programs (including Pennsylvania and Virginia) provide some reimbursement for services provided via telemedicine.

Application in Maryland

In June 2010, the Maryland Health Quality and Cost Council approved the creation of the Maryland Telemedicine Task Force with the charge to develop a plan for a comprehensive statewide telemedicine system. Until recently, efforts were focused on using telemedicine to improve stroke care in Maryland. In the coming months, three advisory groups will meet to develop a report: a clinical advisory group to define areas of clinical need, a technical advisory group to define technical systems and statewide standards, and a financial group to define reimbursement requirements and financial support. A final report on telemedicine is anticipated to be submitted to the council in December 2011.

Chapter 266 of 2006 required the University of Maryland School of Medicine to study and report on issues regarding the use of and reimbursement for telemedicine. The 2007 report noted that telemedicine has been slow to develop in Maryland due to several barriers, including financial and quality issues, infrastructure, and legal and regulatory issues. The report speculated that, as issues of equipment availability, provider training, and infrastructure evolve, more attention may be focused on reimbursement.

According to HRSA, there are 318 MUA/Ps in Maryland, with at least one MUA/P in each jurisdiction except Carroll and Howard counties.

State Expenditures: Although not required to follow health insurance mandates, the State plan generally does. Thus, this estimate assumes that the State plan will follow the bill's requirement. As the State plan contract runs on a fiscal year basis, the benefits specified under the bill would not be included until the fiscal 2013 plan year.

State plan expenditures increase by a potentially significant amount beginning in fiscal 2013 to reimburse for certain telemedicine services. The exact impact cannot be reliably quantified because no claims data are available.

For illustrative purposes only, using the estimated cost per policy per month of \$0.83 from the Virginia study, telemedicine services could cost approximately \$1,045,800 per year (105,000 policies at an annualized cost of \$9.96), with the State paying 80% (\$836,640). State plan expenditures are split 59% general funds, 31% special funds, and 10% federal funds.

Local Expenditures: Local government expenditures (for those that purchase fully insured plans from an insurance company) increase for some local governments to reimburse for certain telemedicine services.

Small Business Effect: Small business health care providers may see an increase in reimbursement for certain telemedicine services.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): U.S. Health Resources and Services Administration; Department of Budget and Management; Department of Health and Mental Hygiene; Maryland Insurance Administration; American Medical Association; American Telemedicine Association; Joint Legislative Audit and Review Commission of the Virginia General Assembly, *Evaluation of House Bill 2191 and Senate Bill 1458: Mandated Coverage of Telehealth Services*, June 2009; University of Maryland School of Medicine, *Report on Policies Regarding Use and Reimbursement for Telemedicine Services in Maryland and Other States*, February 2007; Department of Legislative Services

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