HB 630

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 630 (Delegate Bonsack, et al.)
Economic Matters

Health Insurance - Direct Payment to Provider of Service

This bill provides that a health insurer must provide reimbursement directly to the health care provider that rendered the service covered by the insurer.

Fiscal Summary

State Effect: Administrative expenditures could increase by an estimated $32,100 in FY 1997, with the possibility of indeterminate expenditure growth in the State employee health benefit plan. Future year expenditures increase with annualization and inflation. General fund revenues from the insurance premium tax could increase by an indeterminate amount, to the extent that insurance premiums rise.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues*	----	----	----	----	----
GF Expend*	$32,100	$36,100	$37,400	$38,800	$40,200
Net Effect*	($32,100)	($36,100)	($37,400)	($38,800)	($40,200)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds
*Additional indeterminate expenditures and revenues are possible

Local Effect: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate but significant amount. Revenues would not be affected.

Fiscal Analysis

State Revenues: General fund revenues could increase by an indeterminate amount as a result of the State's 2% insurance premium tax that would apply to any increased health insurance premiums resulting from the bill's requirements. The State's premium tax is only applicable to "for-profit" insurance carriers.

In addition, general fund revenues could increase by an indeterminate amount in fiscal 1997 since the bill's requirements could subject health insurers to rate and form filing fees. Each insurer that amends its insurance policy must submit the proposed change to the Insurance Administration and pay a $100 form filing fee. Further, each insurer that revises its rates must submit the proposed rate change to the Insurance Administration and pay a $100 rate filing fee. It is not possible to reliably estimate the number of insurers who will file new forms and rates as a result of the bill's requirements, since rate and form filings often combine several rate and policy amendments at one time.

State Expenditures: The bill provides that health insurers must provide direct payment to all health providers, making no distinction between in-network or out-of-network providers. One of the incentives for providers to join a network is the guaranteed direct payment received from the health insurer. Under current law, an enrollee who goes out-of-network for health services is reimbursed by the health insurer and the provider must collect from the enrollee. The bill could affect an insurer's ability to manage care (by establishing a network of providers who have agreed to discounted rates) to the extent that providers no longer have the same incentive to stay in a network if they are guaranteed direct payment whether or not they are part of a network. As a result, expenditures for the State employee health benefit plan could increase by an indeterminate but significant amount. However, this effect could be offset by the fact that providers will still have the guaranteed patient volume incentive to stay in a network. Accordingly, it is not possible to reliably estimate the extent of expenditure increase at this time.

The Insurance Administration advises that general fund expenditures could increase by an estimated $53,800 in fiscal 1997, which reflects the bill's October 1, 1996 effective date. This estimate reflects the cost of hiring one Technician to handle additional consumer complaints and one Office Clerk to handle the increase in paperwork associated with the complaints. Additional complaints would be generated by consumers who say they paid their doctor at the time of the visit, but the insurance company paid the doctor again.

The Department of Fiscal Services advises, however, that one Technician position should be sufficient. Many of the complaints will concern provider reimbursement rather than insurer contracts. The Insurance Administration will have to field the complaint calls and either redirect them to the appropriate organization or investigate the complaint. To the extent that the calls concern provider reimbursement, an area over which the administration does not have direct jurisdiction, an additional Technician can handle additional workload without new clerical assistance. Therefore, expenditures could increase by an estimated $32,060 in fiscal 1997. The estimate includes salaries of $18,834, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$25,870

Other Operating Expenses	6,190
Total FY 1997 State Administrative Expenditures	**$32,060**

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate but significant amount, depending on the extent to which enrollees are in managed care plans.

Information Source(s): Department of Budget and Fiscal Planning, Insurance Administration, Department of Fiscal Services

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