HB 112

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 112 (Delegate Elliott)
Economic Matters

Health Insurers and Health Maintenance Organizations - Coverage for Hospital Stays for Postpartum Mothers and Infants

This bill allows health insurers and health maintenance organizations (HMO) providing inpatient hospitalization coverage for childbirth to provide less than: 48 hours of inpatient care following a vaginal delivery and less than 96 hours of inpatient care following a cesarean section, unless the attending physician determines that inpatient hospitalization is medically necessary or inpatient hospitalization is requested by the mother. It repeals the section of the 1995 Mothers' and Infants' Health Security Act requiring that the standards used by a private review agent or health maintenance organization (HMO) in performing utilization review of hospital services related to maternity and newborn care must be in accordance with the medical criteria in the "Guidelines for Perinatal Care" prepared by the American Academy of Pediatrics and the American College of Obstetricians and Gynecologists.

Fiscal Summary

State Effect: If the State elects to include this mandated benefit in the State employee health benefit plan, expenditures could increase by $428,900 in FY 1997. Future year expenditures increase with annualization and inflation. General fund revenues could increase by an indeterminate minimal amount.

Local Effect: Expenditures could be affected by an indeterminate amount as discussed below. Revenues are not affected.

Fiscal Analysis

State Revenues: General fund revenues could increase by an indeterminate minimal amount as a result of the State's 2% insurance premium tax that applies 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 minimal amount since insurance companies that do not already provide the coverage mandated by the bill's requirements will be subject 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: Although the State is self-insured and not required to cover mandated health benefits, in the past the State employee health benefit plan has always included coverage for mandated health benefits. As a result, expenditures for State employee health insurance benefits could increase by an estimated $428,920 (assumes a mix of 60% general funds, 20% special funds, and 20% federal funds) in fiscal 1997 if the State chooses to include the bill's mandated benefit. The $428,920 estimate is based on fiscal 1995 utilization rates and hospital expenditures for State employees enrolled in the Blue Cross and Blue Shield (BCBS) preferred provider organization (PPO) plan and assumes: (1) that both utilization rates and hospital expense differences due to different lengths of stay found for the BCBS population are equivalent for the entire State active employee enrolled population; (2) that the number of State employees enrolled in the health plan remains constant; and (3) a 90-day start-up delay from the bill's October 1, 1996 effective date. Future year expenditures reflect 5.5% annual inflation increases.

FY 1997	$428,920
FY 1998	905,021
FY 1999	954,797
FY 2000	1,007,311
FY 2001	1,062,713

Although the number of State employees has remained relatively constant in recent years, the Department of Fiscal Services notes that the fiscal 1997 budget allowance reflects a net decrease of 851 permanent positions. Expenditures for the State employee health benefit plan could therefore be lower than those indicated above as a result of the bill's requirements, but it is not possible to reliably estimate the extent of decrease at this time.

There is no direct impact to the Medical Assistance Program because the bill's requirements affect health insurers and not the Medicaid program. In addition, Medicaid already covers

the lengths of hospital stay (under fee-for-service) indicated in the bill's requirements. However, the bill's requirements could indirectly affect Medicaid expenditures in the long-term: (1) future child health expenditures could decrease to the extent that the long-term health of children is improved; and (2) Medicaid rates set for HMOs could increase as a result of longer hospital stays. It is not possible to reliably estimate the direction or magnitude of any long-term change in Medicaid program expenditures, although it is not likely to be significant.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount, depending upon the current type of health care coverage offered and number of enrollees. On the other hand, the bill's requirements could decrease future child health expenditures in local health departments to the extent that they improve the long-term health of children.

Information Source(s): Department of Fiscal Services, Department of Budget and Fiscal Planning, Department of Health and Mental Hygiene (Local and Family Health Administration, Medical Care Policy Administration), Insurance Administration

Fiscal Note History: First Reader - January 23, 1996
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