

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 943 (Delegate Stup)
Economic Matters

**Health Insurers and Health Maintenance Organizations - Medical or Surgical
Procedures - Out-of-Network Referrals**

This bill requires health insurers and health maintenance organizations (HMOs) to provide reimbursement for a procedure or service performed at an out-of-network hospital if at least three physicians who are generally recognized as authoritative resources on the insured's disease certify in writing that the hospital in which a procedure is to be performed has superior expertise in treating the insured's disease.

Fiscal Summary

State Effect: Expenditures for the State employee health benefit plan and the Medicaid program could increase by an indeterminate amount. General fund revenues could increase by an indeterminate amount.

Local Effect: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount.

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.

State Expenditures: The effect of the bill would be to cause health insurers with provider networks to pay for more expensive out-of-network hospital surgical care, since they generally negotiate discounted rates with in-network hospitals. Expenditures for the State employee health benefit plan could increase by an indeterminate amount, depending on the

extent to which enrollees are able to use out-of-network hospitals. Any expenditure increase will consist of a mix of 60% general funds, 20% special funds and 20% federal funds.

There is no direct impact to the Medical Assistance Program because the bill's requirements directly affect health insurers and not the program. However, the bill could indirectly affect Medicaid expenditures in the long-term if the capitated rates the Medicaid program sets for HMOs increase due to higher costs incurred by HMOs. Currently, 25% of Medicaid recipients are enrolled in HMOs. Under the Department of Health and Mental Hygiene's Medicaid reform proposal, most Medicaid recipients will be enrolled in managed care. In addition, under current federal law, 50% of any additional Medicaid expenditures are reimbursable by federal funds. However, Congress is considering legislation that may cap the amount of funds that states receive under Medicaid. As a result, it's possible that any additional Medicaid expenditures will be funded entirely with general funds. It is not possible at this time to reliably estimate the magnitude of any increase in Medicaid program expenditures resulting from the bill's requirements. For illustrative purposes, inpatient hospital expenditures comprise 24% of the Medicaid program's anticipated fiscal 1997 budget allowance.

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.

Information Source(s): Department of Budget and Fiscal Planning, Department of Health and Mental Hygiene (Medical Care Programs Administration, Health Care Access and Cost Commission), Insurance Administration, Department of Fiscal Services

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Analysis by: Sue Friedlander

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710