HB 104

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 104 (Chairman, Economic Matters Committee)
(Departmental - Insurance Administration)
Economic Matters

Medicare Supplement Policies

This departmental bill amends Maryland's Medicare Supplement Act to conform to the Social Security Act Amendments of 1994 in order to maintain certification from the Health Care Financing Administration (HCFA). The Insurance Administration must meet HCFA standards to continue to regulate Medicare Supplement policies.

The bill takes effect June 1, 1996.

Fiscal Summary

State Effect: General fund expenditures could increase by $139,900 in FY 1997. Future year expenditures increase due to annualization and inflation. General fund revenues could increase by an indeterminate moderate amount.

($ in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	----	----	----	----	----
GF Expenditures	$139,900	$157,300	$163,100	$169,100	$175,400
Net Effect	($139,900)	($157,300)	($163,100)	($169,100)	($175,400)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Small Business Effect: The Insurance Administration has determined that this bill has minimal or no impact (attached). Fiscal Services concurs with this assessment.

Fiscal Analysis

Bill Summary: Specifically, the bill: (1) broadens the definition of "Medigap policy" to include health care pre-payment plans; (2) specifies that only the minimum policy benefits contained in the Medicare Supplement Act (which meet federal standards) apply to Medigap policies; (3) requires disclosure of automatic renewal premium increases related to a policyholder's age; (4) broadens the disclosure requirements so that they are applicable to all health insurance policies sold to persons eligible for Medicare; and (5) authorizes the Insurance Administration to establish standards for Medicare Select (capitated arrangements) policies.

State Revenues: General fund revenues could increase by an indeterminate moderate amount in fiscal 1997 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 in fiscal 1997 since insurance companies wishing to provide "Medigap" coverage 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 provisions, since rate and form filings often combine several rate and policy amendments at one time, but as many as 50 health insurers could choose to offer Medicare Select policies.

State Expenditures: General fund expenditures could increase by an estimated $139,893 in fiscal 1997, which reflects a 120-day start-up delay. This estimate reflects the cost of hiring four Maryland Insurance Administration (MIA) Technicians for functions related to enforcing standards for Medicare Select policies by determining network sufficiency and evaluating quality of care standards and utilization. The administration anticipates that as many as 50 health insurers could choose to offer Medicare Select policies. Review of the new disclosure standards, however, can be accomplished using existing staff resources. The estimate includes salaries of $82,113, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$111,473
Computer equipment	22,720
Other Operating Expenses	5,700
Total FY 1997 State Expenditures	$139,893

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.

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

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