HB 274

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 274 (Delegate Fulton)
Environmental Matters

Health Maintenance Organizations - External Review Of Quality - Public Funding

This bill requires health maintenance organizations (HMO) that receive public funds to have certification by the National Committee for Quality Assurance (NCQA) as part of the external review of quality of health services conducted by the Department of Health and Mental Hygiene (DHMH).

Fiscal Summary

State Effect: FY 1997 expenditures for the State employee health benefit plan could increase by an indeterminate but significant amount, with the possibility of additional Medicaid expenditures in future years as discussed below. General fund revenues could increase by an indeterminate moderate amount.

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

Fiscal Analysis

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 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: Of the seven HMOs participating in the State employee health benefit plan, only one has been denied accreditation by NCQA. According to the Department of Budget and Fiscal Planning, the deficiency for which the HMO was denied accreditation has been corrected and the HMO will be applying for re-accreditation within the year. If the

HMO regains accreditation, there will be no fiscal impact for the State employee health benefit plan. If it does not regain accreditation, then the 1,625 State enrollees in that HMO would have to be shifted into another plan. If the enrollees switch to another HMO, there would be no fiscal impact. However, the State subsidy per employee could increase by up to 15-20% for enrollees switching to a point-of-service (POS) plan, and by up to 50% for enrollees switching to a preferred provider organization (PPO). It is not possible to reliably estimate the fiscal impact on the State employee health benefit plan at this time, but State expenditures (assuming a mix of 60% general funds, 20% special funds, and 20% federal funds) could increase by a significant amount to the extent that State enrollees switch to a non-HMO plan.

There is no direct impact to the Medical Assistance Program because the bill's requirements directly affect HMOs and not the program. However, the bill could indirectly affect Medicaid expenditures in the long-term if Medicaid rates set for HMOs increase due to higher costs incurred by HMOs in satisfying accreditation requirements. 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, but not necessarily in an HMO. It is not possible at this time to reliably estimate the magnitude of increase in Medicaid program expenditures resulting from the bill's requirements. Under current federal law, any additional Medicaid expenditures are reimbursed at the rate of 50% 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 resulting from the bill's requirements would be entirely general funds.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount, depending upon the number of HMO enrollees and the number of participating HMO plans that have NCQA accreditation.

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

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