

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 355 (Senator Hollinger, et al.)
Finance

Health Maintenance Organizations - Office of Ombudsman

This bill requires the Department of Health and Mental Hygiene (DHMH), with the advice of the Insurance Administration, to adopt regulations establishing an Office of Health Maintenance Organization (HMO) Ombudsman for providers and consumers. The ombudsman must ensure that all complaints regarding HMOs are directed to DHMH or the Insurance Administration, whichever is the appropriate regulator. The Office of Ombudsman must report to the Secretary of Health and Mental Hygiene and the Insurance Commissioner on systemic issues affecting HMO services by January 1 of each year. DHMH and the Insurance Administration must report to the General Assembly on findings and recommendations related to resolving systemic issues.

Fiscal Summary

State Effect: None in FY 1997. Initially, the bill's requirements could be handled with reorganization of existing staff resources. In subsequent years additional resources may be necessary due to growing HMO enrollment. Revenues would not be affected.

Local Effect: None.

Fiscal Analysis

Background: In 1995, approximately 1,195 complaints regarding HMOs were received by the Department of Health and Mental Hygiene and the Insurance Administration.

State Expenditures: The Department of Health and Mental Hygiene advises that general fund expenditures could increase by an estimated \$33,300 in fiscal 1997, which reflects the bill's October 1, 1996 effective date. This estimate reflects the cost of hiring one Administrative Officer in the Office of Licensing and Certification to receive, log, and direct

HMO complaints. It includes salaries of \$20,500, fringe benefits, one-time start-up costs, and ongoing operating expenses.

The Department of Fiscal Services (DFS) advises that the bill's requirements could be handled with reorganization of existing staff resources. There are 13 current staff who deal with HMO complaints: five investigators in the life and health complaints unit of the Insurance Administration (which handles 975 HMO complaints annually), four in the complaints unit of the DHMH Office of Licensing and Certification (which handles 20 HMO complaints annually), and four in the DHMH Medicaid program's "HMO hotline" (which handles 6-7,000 calls regarding Medicaid HMOs, of which 200 are complaints). Of these, only the four in the HMO hotline unit deal exclusively with HMOs; approximately 20% of the complaints investigated by the Insurance Administration's unit deal with HMOs and 2% of complaints investigated by the Office of Licensing and Certification deal with HMOs.

It appears as if the HMO hotline unit in the Medicaid program is already serving the function of ombudsman in fielding calls and directing them to the appropriate organizational unit. The Department of Fiscal Services advises, therefore, that the bill's requirements could be handled with reorganization of existing staff resources. DFS is aware, however, that the number of people enrolled in HMOs is continuing to grow and that under the Department of Health and Mental Hygiene's Medicaid reform proposal, most Medicaid recipients will be enrolled in managed care, although not necessarily in HMOs. Therefore, it may be necessary in the future to add to existing staff to meet the bill's requirements.

Information Source(s): Insurance Administration, Department of Health and Mental Hygiene (Office of Licensing and Certification, Medical Care Policy Administration), Department of Fiscal Services

Fiscal Note History: First Reader - February 8, 1996

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