

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

Senate Bill 705 (Senator Trotter, et al.)  
Finance

Referred to Economic Matters

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**Health Insurers - Provider Panels - Participation of Community Health Care  
Providers**

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This amended bill requires health insurers and health maintenance organizations (HMOs) to ensure that at least 20% of the health care providers on their provider panels are providers who have traditionally provided health care services in the community being served by the carrier.

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**Fiscal Summary**

**State Effect:** Potential indeterminate increase in expenditures for the State employee health benefit plan. Potential indeterminate general fund revenue increase.

**Local Effect:** Expenditures for local jurisdiction employee health benefits could increase by an indeterminate but significant amount. Revenues would not be affected.

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**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.

In addition, general fund revenues could increase by an indeterminate amount in fiscal 1997 since the bill's requirements could subject insurance companies to rate and form filings. Each insurer (with the exception of health maintenance organizations) that amends its insurance policy must submit the proposed change to the Insurance Administration and pay a \$100 form filing fee. Further, each insurer (with the exception of health maintenance organizations) 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:** The bill's requirement could potentially expand the number of providers participating in a managed care network. Managed care has relied upon limiting network size to control health care utilization and costs. A significant increase in a network's providers could increase utilization and costs. The State employee health benefit plan could be indirectly affected with a corresponding cost increase to the extent that the bill causes a significant increase in a network's providers. It is not possible to reliably estimate the extent of expenditure increase at this time, since it would depend on the current representation of providers who have traditionally furnished health care services in the community being served by the managed care network.

**Local Expenditures:** Expenditures for local jurisdiction employee health benefits could increase by an indeterminate but significant amount, depending on the extent to which employees are enrolled in managed care plans.

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

**Fiscal Note History:** First Reader - February 28, 1996  
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