

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 317 (Delegate Doory, et al.)  
Economic Matters

Referred to Finance

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Health Insurers - Negotiated Alternative Rates -  
Amount of Insured Coinsurance Payment

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This amended bill provides that health insurers who negotiate alternative rates of provider payment in which coinsurance payments are based on a percentage of the fee must calculate the amount of coinsurance payments paid by the insured exclusively from the alternative rate and are prohibited from charging or collecting coinsurance payments in excess of that amount.

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Fiscal Summary

**State Effect:** General fund revenues could increase by an indeterminate minimal amount. Expenditures would not be affected.

**Local Effect:** Expenditures for local jurisdiction employee health benefits could be affected. Revenues would not be affected.

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Fiscal Analysis

**Background:** The bill addresses the problem that has occurred in many states in which health insurers (Blue Cross/Blue Shield plans in particular) have based the insured's coinsurance payment amount on the provider's billed charge instead of a discounted fee.

**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. There is a possibility that health insurance premiums could increase to offset any loss in coinsurance payment revenues received by insurers. Any such increase is assumed to be minimal.

In addition, general fund revenues could increase by an indeterminate minimal amount in fiscal 1997 since insurance companies that increase their premiums would be subject to rate filing fees. 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 rates as a result of the bill's requirements, since rate filings often combine several rate amendments at one time.

**State Expenditures:** No effect. The State employee health benefit plan would not be affected because the State pays 80% of the discounted fee for out-of-network provider services. The balance of the provider's fee is the responsibility of the insured employee.

**Local Expenditures:** Expenditures for local jurisdiction employee health benefits could be affected, depending upon the current coinsurance payment arrangement.

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

**Fiscal Note History:** First Reader - February 6, 1996  
ncs Revised - House Third Reader - March 19, 1996

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