

Department of Fiscal Services
 Maryland General Assembly

FISCAL NOTE

House Bill 877 (Delegate Barve)
 Economic Matters

Health Maintenance Organizations - Rates and Contracts

This bill requires the Insurance Administration to follow certain procedures in notifying a health maintenance organization (HMO) that a form filed with the administration has been disapproved. If the filing is an amendment to an approved form, the bill specifies the conditions under which the administration is authorized to review more than the amended language. It also specifies conditions under which the administration must disapprove a form filing and specifies the conditions under which the administration is to review an HMO's resubmission of a filing. A resubmitted filing becomes effective 30 days after the administration receives the filing, unless the administration disapproves the filing. Finally, the bill provides an exception to the requirement that health maintenance organizations file contracts with the Insurance Administration for certain group contracts.

Fiscal Summary

State Effect: General fund expenditures could increase by \$55,800 in FY 1997. Future year expenditures increase with annualization and inflation. Revenues would not be affected.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	55,800	62,600	65,000	67,400	70,000
Net Effect	(\$55,800)	(\$62,600)	(\$65,000)	(\$67,400)	(\$70,000)

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

Local Effect: None.

Fiscal Analysis

State Expenditures: General fund expenditures could increase by an estimated \$55,800 in fiscal 1997, which reflects the bill's October 1, 1996 effective date. This estimate reflects the cost of hiring one Technician and one Office Clerk needed because the review time specified in the bill for resubmitted filings is only 30 days. Current law provides that, unless the administration disapproves a filing, they become effective 60 days after being received by the administration; no time limit is specified, however, for reviewing resubmitted filings. The Insurance Administration advises that virtually all HMO filings are resubmitted following the administration's initial review. Since the administration has no control over when filings are received, compressing the reviewing time could effectively increase the administration's workload. For illustrative purposes, 14,000 health filings were received in fiscal 1995. Assuming that approximately 30% were for HMOs, up to 4,200 HMO filings, and an equal number of resubmitted filings, need to be reviewed each year.

The \$55,800 estimate reflects the bill's October 1, 1996 effective date, and includes salaries of \$32,416, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$45,541
Other Operating Expenses	<u>10,270</u>
Total FY 1997 State Expenditures	\$55,811

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

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