Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 1417 (Delegate Frank)
Economic Matters

Health Insurance - Health Benefits Appeals Board

This bill establishes a Health Benefits Appeals Board within the Life and Health Insurance Unit of the Maryland Insurance Administration. The board is responsible for reviewing appeals of individuals who are denied health benefit coverage by an insurance carrier, health maintenance organization, or other organization that provides health benefit plans. The board may employ a staff and the Insurance Commissioner must appoint or employ physicians, therapists, nurses, dentists, psychologists, and other health care professionals to rule on the appeals.

The Insurance Commissioner may collect a health benefits appeal fee of $300 from each health benefits carrier, before October 1, 1997 and a $200 fee after that date. Money collected will be deposited into the Health Benefits Appeals Fund and will be used to pay the costs and expenses incurred by the Insurance Administration to operate the appeals board. In addition, the appeals board may collect a fee from any individual who files a frivolous appeal with the board.

Fiscal Summary

State Effect: In FY 1997 special fund revenues would increase by about $300,000 and special fund expenditures would increase by about $139,600. Future year revenues reflect a decrease in the annual health benefits appeals fee. Future year expenditures reflect, full salaries, turnover, and inflation.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
SF Revenues	300,000	200,000	200,000	200,000	200,000
SF Expenditures	139,600	176,500	181,100	185,900	190,800
Net Effect	$160,400	$23,500	$18,900	$14,100	$9,200

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

Local Effect: None.

Fiscal Analysis

State Revenues: There are about 1,000 health insurers, health maintenance organizations, and non-profit health service plans licensed in Maryland. The bill provides that the Insurance Commissioner may assess a $300 health benefits appeals fee against each of these carriers before October 1, 1997. It is assumed that the assessment will be collected in fiscal 1997 and that State revenues will increase by $300,000, which will be deposited into a Health Benefits Appeals Fund.

After October 1, 1997, the Commissioner may assess an annual $200 health benefits appeals fee against each carrier. The number of carriers operating in the State is expected to remain relatively constant over the next five years. Therefore, special fund revenues will increase by about $200,000 annually beginning in fiscal 1998.

In addition, special fund revenues could increase by an indeterminate amount due to investment income earned on monies deposited in the fund and filing fees charged by the appeals board against an individual who files a frivolous appeal.

State Expenditures: The board would need to hire a Complaint Investigator and a Secretary to handle the collection of assessment fees, investigation of appeals, scheduling of appeals hearings, and other related board matters. In addition, the Insurance Commissioner would need to hire 10 health care professionals on a contractual basis to review appeals. It is estimated that the Commissioner would pay each professional an average hourly fee of $150 for six hours each month. As a result, contractual expenditures would increase by about $108,000 annually.

Fiscal 1997 special fund expenditures would increase by about $139,550, which includes salaries of $31,461, fringe benefits, ongoing operating costs, one-time start-up costs, and contractual expenses of $81,000, and reflects the October 1, 1996 effective date.

Future year expenditures includes (1) full salaries with 3.5% annual increases and 3% employee turnover; (2) 2% annual increases in ongoing operating expenses; and (3) $108,000 in contractual expenditures for professional health care consultants.

Information Source(s): Maryland Insurance Administration, Department of Fiscal Services

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