

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 838 (Delegate Elliott)
Appropriations

**State Employee and Retiree Health and Welfare Benefits Program -
Reasonable Reimbursement**

This bill requires the reasonable reimbursement of health care providers by the State employee health benefit plan.

Fiscal Summary

State Effect: Assuming the State currently does not provide reasonable reimbursement to its health care providers, State expenditures could increase by an indeterminate amount due to higher rates for health care providers under the State employee health benefit plan contract. General fund revenues could increase by an indeterminate amount.

Local Effect: Expenditures could increase by an indeterminate amount. Revenues would not be affected.

Fiscal Analysis

State Revenues: The bill's impact depends upon the interpretation of "reasonable reimbursement" and whether the State currently provides reasonable reimbursement to its health care providers under the State employee health benefit plan. 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 insurance companies could be subject to rate and form filing fees as a result of the bill's requirements. 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 impact depends upon the interpretation of "reasonable reimbursement" and whether the State currently provides reasonable reimbursement to its health care providers under the employee health benefit plan. The Department of Budget and Fiscal Planning advises that under the bill's requirements, the State competitive bidding process would need to include criteria and contractual language to ensure that the State contract provides reasonable reimbursement to health care providers. Reasonable reimbursement is assumed to depend on marketplace competition among providers and economic conditions.

State expenditures could increase by an indeterminate amount to the extent that the bill's requirements (1) provide a legal basis for providers to challenge rates; and (2) result in higher reimbursements to health care providers under the State employee health benefit plan.

Local Expenditures: Expenditures for local employee health benefits could increase by an indeterminate amount for those jurisdictions participating in the State employee health benefit plan as satellite organizations.

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

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