HB 859

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

House Bill 859 (Delegate Love, et al.)
Economic Matters | Referred to Finance

Health Maintenance Organizations - Reimbursement to Providers of Emergency Services

This enrolled bill requires health maintenance organizations (HMOs) to reimburse hospital emergency facilities for services rendered to HMO enrollees, if: (1) the HMO authorized the services; (2) the HMO fails to provide 24-hour access to a physician for its enrollees; or (3) the services were provided to meet the requirements of the federal Emergency Medical Treatment and Active Labor Act. It prohibits HMOs from requiring emergency service providers to obtain prior approval from HMOs in order to obtain reimbursement for emergency services provided. The Department of Health and Mental Hygiene (DHMH) must work with the Health Care Access and Cost Commission (HCACC) to develop a bundled payment (flat fee) for medical screenings that meets the requirements of federal law. The requirement that HMOs reimburse for medical screenings will sunset if a bundled payment system is not established by March 31, 1997.

The bill takes effect July 1, 1996.

Fiscal Summary

State Effect: Assuming that the requirement that HMOs pay for medical screening goes into effect, expenditures could increase by up to $84,700 in FY 1997. Future year expenditures grow with annualization and inflation. Any increased expenditures could be offset to an indeterminate extent by a reduction in State expenditures for hospital services due to less hospital uncompensated care. General fund revenues could increase by an indeterminate amount.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	----	----	----	----	----
GF/SF/FF	$84,700	$178,700	$188,500	$198,900	$209,800
Net Effect	($84,700)	($178,700)	($188,500)	($198,900)	($209,800)

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

*assumes (1) a mix of 60% general funds, 20% special funds, and 20% federal funds; and (2) 20% of expenditures are reimbursable through employee contributions

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

Fiscal Analysis

Bill Summary: The Health Services Cost Review Commission (HSCRC) must conduct a study to determine the effect on hospital billing patterns of mandating that HMOs reimburse for medical screenings required under federal law. HSCRC is to report its findings to the Governor and General Assembly by January 31, 1997.

Background: The federal Emergency Medical Treatment and Active Labor Act requires hospital emergency facilities to assess and stabilize all patients seeking treatment as a condition of receipt of Medicare reimbursements. It prohibits an emergency facility from (1) contacting an HMO to request authorization for treating an enrollee; or (2) transferring an enrollee to an HMO urgent care facility or physician's office for treatment without first performing a medical screening and assessment and stabilizing the patient's condition.

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: Assuming that the requirement that HMOs pay for medical screening goes into effect, expenditures for the State employee health benefit plan could increase by up to an estimated $84,700 (assumes a mix of 60% general funds, 20% special funds and 20% federal funds) in fiscal 1997. The estimate assumes: (1) emergency room care represents 1.1% of all health care costs; (2) HMO and point-of-service (POS) plan costs will increase by 10% due to additional costs incurred by HMOs to reimburse hospital emergency facilities for medical screening services and due to the possibility of increased utilization of screening tests by emergency room providers; and (3) an effective date of January 1, 1997, the start

date of the annual State employee health benefit plan contract.

Since the bill authorizes an HMO to collect payment from an enrollee for non-emergency medical services, it is likely that HMOs would eventually be reimbursed by some, but not all, enrollees. The $84,700 estimate is a worst-case scenario which assumes that HMOs will encounter difficulties in collecting non-emergency medical service payments from enrollees and that bill collection entails additional expenses; this estimate will be reduced, however, to the extent that HMOs are successful in collecting payments from their enrollees.

Since the bill stipulates that HMOs reimburse hospital emergency facilities in the form of bundled payments (a flat fee per person), it is possible that State expenditures will be less than the amount projected. It is not possible to reliably estimate the effect of a bundled payment system at this time.

Future year expenditures reflect medical cost inflation of 5.5% and annualization.

The bill's requirements will act to shift HMO enrollees' emergency room medical screening costs from hospitals to HMOs. Under current law, hospitals bill HMO enrollees for screening services deemed by HMOs to be nonemergency; under the bill, HMOs will bill their enrollees for nonemergency services. Any increased expenditures incurred by HMOs would be offset by a reduction in hospital uncompensated care, which in turn decreases hospital rates for all payors, including the State employee health benefit plan and the Medicaid program. It is not possible to reliably predict the extent to which a reduction in hospital uncompensated care would act to offset additional HMO expenditures.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount, depending upon the current type of health care coverage offered and number of enrollees.

Information Source(s): Department of Health and Mental Hygiene (Medical Care Programs Administration, Health Care Access and Cost Commission, Health Services Cost Review Commission), Insurance Administration, Department of Budget and Fiscal Planning, Department of Fiscal Services, Maryland Association of Health Maintenance Organizations

Fiscal Note History: First Reader - February 26, 1996
ncs Revised - House Third Reader - March 28, 1996
lc Revised - Enrolled Bill - May 10, 1996

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