

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 482 (Senators Dorman and Hafer)

Finance

Referred to Environmental Matters

Health Maintenance Organizations - Access to Services

This enrolled bill requires HMOs to provide a 24-hour toll-free telephone access system for use in hospital emergency departments. The telephone access system must (1) enable members and providers to determine, with one telephone call, the primary care provider (PCP) assigned to a member; and (2) enable providers to determine, with one call, three contracted specialist providers for the HMO who also have staff privileges at a particular hospital in the State. The Maryland Association of Health Maintenance Organizations (MAHMO), in consultation with the American College of Emergency Physicians and the Maryland Hospital Association, must develop a telephone access system that provides the above information. MAHMO must report its findings to the Senate Finance Committee and the House Environmental Matters Committee by January 1, 1998. This telephone access system must be operational by July 1, 1998.

In the case of emergency services, authorization is presumed for using the medical or surgical provider for unassigned patients or the appropriate specialist on call at the hospital if: (1) a telephone access system is not operational at the time of the call; or (2) a member's PCP or the specialist needed cannot be determined within a reasonable time (not to exceed 30 minutes).

The bill takes effect July 1, 1997.

Fiscal Summary

State Effect: General fund expenditures could increase by an indeterminate but significant amount beginning in FY 1998. Revenues would not be affected.

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

Small Business Effect: Potential minimal effect on small businesses as discussed below.

Fiscal Analysis

State Expenditures: The bill requires HMOs to establish the telephone access system by July 1, 1998. Since contracts and rates for the State employee HMO plans are negotiated in January, it is anticipated that the cost of the telephone system would be incorporated into premiums beginning January 1998. The Department of Budget and Management (DBM) advises that general fund expenditures could increase by \$2.4 million in fiscal 1998. This estimate assumes (1) there are currently 53,000 members enrolled in the HMO and Point-of-Service (POS) plans offered through the State employee health benefit plan; (2) HMO and POS plans will have to hire three additional employees to staff each 24-hour phone line per 1,000 members (an addition of 159 new staff); (3) the salary for each new employee will be \$30,000; (4) HMOs and POSs would not require additional hardware purchases (e.g., phones); and (5) increased premiums beginning January 1, 1998.

The Department of Fiscal Services advises that general fund expenditures could increase by a significant amount, although the increase is expected to be less than \$2.4 million for the following reasons:

(1) The State employee health benefit plan would not incur the increased costs directly. Any increase to State expenditures would result from increased premiums since the State employee health benefit plan is insured for HMO and POS plans. In order to satisfy the requirements of the bill, HMO and POS plans would incur the increased administrative costs.

The HMOs would pass some of the increased costs onto the State employee health benefit plan through higher premiums. However, about 20% of increased State expenditures through higher premiums for the employee health benefit plan will be reimbursable through employee contributions.

(2) Current State law requires HMOs to have a 24-hour telephone access system. While some systems are computerized and may require additional staff to satisfy the bill's requirements, other systems already have utilization review persons attending the phones on a 24-hour basis.

(3) Since the HMO and POS plans would have to provide the 24-hour telephone access system to all its enrollees and not just for enrollees in the State employee health benefit plan, there may be economies of scale such that fewer than three additional employees per 1,000 members may be required to staff a 24-hour phone line.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could

increase by an indeterminate amount, depending upon the current type of health insurance coverage offered and the number of employees.

Small Business Effect: This bill would increase reimbursements to some small business health care providers who contract with HMOs, as more health care services would be authorized and reimbursed as a result of the bill's requirements.

To the extent that administrative and medical care costs increase as a result of this bill and HMOs raise premiums to cover that increase, self-employed persons and small businesses that offer health insurance through an HMO could face higher health care costs. Alternatively, small businesses could pass an increase in insurance premium costs onto their employees.

Additional Comments: Providing access to a primary care provider through the 24-hour telephone access system could promote continuity of health care services for enrollees.

Information Source(s): Insurance Administration, Department of Budget and Management, Department of Health and Mental Hygiene (Medical Care Policy Administration), Maryland College of Emergency Physicians, Department of Fiscal Services

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