

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 163 (Senator Bromwell, *et al.*)

Finance

Referred to Economic Matters

Experimental Medical Care Disclosure Act

This enrolled bill requires health insurers, nonprofit health service plans, HMOs, and other entities that provide health benefit plans (carriers) to establish, subscribe to, or contract to provide, a systematic and scientific process for evaluating emerging medical and surgical treatments. The evaluation process must include a comprehensive review of the medical literature and input from clinical experts in the field. The carriers must disclose, in their provider contracts and marketing documents to enrollees, the carrier’s definition of “experimental medical care”. A carrier’s decision to provide coverage for an emerging medical or surgical treatment must result from a consensus of the carrier’s analysis and the knowledge gained through the evaluation process.

The carrier must file with the Insurance Commissioner: (1) a summary description of the clinical issues and diagnostic and therapeutic services that were evaluated; and (2) the conclusion of the evaluation, including the opinions of the clinical experts.

Fiscal Summary

State Effect: General fund expenditures could increase by \$91,700 in FY 1998. Future year expenditures reflect annualization and inflation. General fund revenues could increase by a minimal amount.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	--	--	--	--	--
GF Expenditures	\$91,700	\$104,500	\$108,300	\$112,300	\$116,400
Net Effect	(\$91,700)	(\$104,500)	(\$108,300)	(\$112,300)	(\$116,400)

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

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

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

Fiscal Analysis

Bill Summary: The bill requires the carriers, in conjunction with their clinical experts, to establish a patient selection criteria for an emerging medical or surgical treatment for which coverage is to be provided. Each carrier must provide a description of the evaluation process if requested by an enrollee, contracting provider, or other provider. The Insurance Commissioner must provide the carrier's filings to the public in a timely manner and at a reasonable cost, upon request.

Contingent upon enactment of SB 739/HB 823, which requires carriers to establish an internal grievance process for enrollees concerning a carrier's adverse decision on coverage, the bill replaces the current law appeal process with the above grievance process.

State Revenues: This bill would increase administrative costs of health insurance carriers that do not already have in place an evaluation process for emerging medical and surgical treatments or must significantly improve on their existing process. It could also increase medical care costs for carriers. These carriers would raise premiums on their health plans, meaning that general fund revenues could increase by an indeterminate minimal amount in fiscal 1998 as a result of the State's 2% insurance premium tax. The State's premium tax is only applicable to "for-profit" insurance carriers.

General fund revenues could increase by an indeterminate minimal amount since insurance companies could be subject to rate and form filing fees. Each insurer (except HMOs) that revises its rate and amends its insurance policy must submit the proposed change(s) to the Insurance Administration and pay a \$100 rate and/or form filing fee. The number of insurers who will file new rates and forms as a result of the bill's requirements cannot be reliably estimated at this time, since rate and form filings often combine several rate and policy amendments at one time.

State Expenditures: General fund expenditures could increase by an estimated \$91,700 in fiscal 1998, which accounts for the bill's October 1, 1997 effective date. This estimate assumes that all carriers licensed to write life, health, non-profit, or dental plan coverage will have to submit filings to fulfil the requirements of this bill and reflect a significant increase in inquiries and complaints. The estimate reflects the cost of hiring three full-time employees (Insurance Analyst, Market Conduct Analyst, Complaint Analyst) to review the experimental medical care filings, the carrier's evaluation process, and the marketing materials; and to handle the annual disclosure filings and extra complaints. It includes salaries, fringe benefits,

one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$76,621
Operating Expenses	<u>\$15,060</u>
Total FY 1998 State Expenditures	\$91,681

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.

The State employee health benefit plan is self-insured for Preferred Provider Option plans (PPO) and Point-of-Service (POS) out-of-network services and pays an administrative fee to a third-party administrator (TPA); and is insured for HMO plans and POS in-network services. As a result of the bill, carriers may pass the increased administrative costs onto the State employee health benefit plan. In addition, carriers may incur increased medical care costs and may pass the increase onto the State employee health benefit plan. The extent of the increase in premiums cannot be reliably estimated at this time.

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 may impose a significant burden on small business health carriers if the carriers do not already have in place an evaluation process for emerging medical and surgical treatments or if they have to significantly improve on their existing process. Some dental plans and most non-profit health service plans (which are mainly dental and vision plans) are small businesses.

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

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

Fiscal Note History: First Reader - January 27, 1997
mld Revised - Senate Third Reader - March 20, 1997
Revised - Enrolled Bill - May 1, 1997

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