

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 433 (Senator Hafer)
Finance

Referred to Economic Matters

Health Maintenance Organizations - Point-of-Service Option - Definition

This amended bill specifies that an individual covered under a Point-of-Service (POS) option through an HMO may receive coverage for any health care service obtained outside the provider panel if the health care service is covered under the enrollee's contract with the HMO.

Fiscal Summary

State Effect: Indeterminate increase in general fund expenditures beginning 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 meaningful effect on small businesses as discussed below.

Fiscal Analysis

State Expenditures: Currently, the State employee health benefit plan offers three POS plans. An individual enrolled with any of these POS plans may receive coverage from a provider outside the provider panel (out-of-network provider) subject to certain deductibles and coinsurance payments for most health care services. The exceptions are well-baby care, physical examinations, hearing examinations, nutrition/health education, and dental care. These health care services would only be covered if the service is obtained from the HMO provider panel (in-network provider). Providing coverage for these exceptions would increase costs to the State employee health benefit plan. The extent of the increase, however, cannot be reliably estimated because there is insufficient data on (1) the proportion of total health care expenditures of the State employee health benefit plan that is attributable to those

services that would not be covered if obtained from an out-of-network provider; and (2) the extent to which POS enrollees would switch from the current in-network provider to an out-of-network provider for those services.

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.

Small Business Effect: The effect on HMOs in the State would vary depending on the extent to which their POS plans cover health care services obtained from out-of-network providers. For those POS plans that cover out-of-network providers for all services, subject to deductibles and copayments, the bill would have a negligible effect. For those POS plans that restrict the covered services obtained outside the provider panel, the impact could be significant. To the extent that 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 business could pass an increase in health insurance premium costs onto their employees.

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

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