

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 604 (Delegate Frank, *et al.*)
Economic Matters

Health Insurance - Health Benefits Appeals Board

This bill establishes a Health Benefits Appeals Board within the Life and Health Insurance Unit of the Maryland Insurance Administration. The board is responsible for hearing and ruling on appeals of individuals who are denied health benefit coverage by an insurance carrier, health maintenance organization, or other organization that provides health benefit plans. The board may employ a staff and the Insurance Commissioner must appoint physicians, therapists, nurses, dentists, psychologists, and other health care professionals to rule on the appeals.

The Insurance Commissioner may collect a health benefits appeal fee of \$200 from each health benefits carrier. Money collected will be deposited into the Health Benefits Appeals Fund and will be used to pay the costs and expenses incurred by the Insurance Administration to operate the appeals board. In addition, the appeals board may collect a fee from any individual who files a frivolous appeal with the board.

Fiscal Summary

State Effect: Special fund revenues would increase by at least \$200,000 annually beginning in FY 1998. Special fund expenditures would increase by about \$53,900 in FY 1998; future year expenditures reflect full salaries, turnover, and inflation.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
SF Revenues	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
SF Expenditures	\$53,900	\$60,800	\$63,000	\$65,300	\$67,700
Net Effect	\$146,100	\$139,200	\$137,000	\$134,700	\$132,300

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

Local Effect: None.

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

Fiscal Analysis

State Revenues: There are about 1,000 health insurers, health maintenance organizations, and nonprofit health service plans licensed in Maryland. The bill provides that the Insurance Commissioner may assess a \$200 annual health benefits appeals fee against each of these carriers. State revenues thus will increase by \$200,000 annually, which will be deposited into a Health Benefits Appeals Fund.

In addition, special fund revenues could increase by an indeterminate amount due to investment income earned on monies deposited in the fund and filing fees charged by the appeals board against an individual who files a frivolous appeal.

State Expenditures: The board would need to hire one Complaint Investigator and one Secretary to handle the collection of assessment fees, investigation of appeals, scheduling of appeals hearings, and other related board matters. Fiscal 1998 special fund expenditures would increase by about \$53,918 which includes salaries, fringe benefits, ongoing operating costs, one-time start-up costs, and reflects the October 1, 1997 effective date.

Future year expenditures include (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

In addition, the Insurance Commissioner would have to appoint health care professionals to the Health Benefits Appeals Board to hear and rule on the appeals. Funds from the Health Benefits Appeals Fund would be used to reimburse expenses for the health care providers on the board. The Board of Physician Quality Assurance currently pays a per diem rate of \$100 to each health care provider sitting on their board. It is anticipated that an equivalent per diem rate would be paid to members on the Health Benefits Appeals Board. The board must consist of physicians, physical therapists, nurses, dentists, psychologists, or other licensed health care practitioners. The number and composition of board members are not specified in the bill. Expense reimbursements would depend upon the number of board members and the time and frequency of board meetings.

Small Business Effect: Although most health carriers are large businesses, there are a few nonprofit dental and vision plans that are small businesses. These small business health carriers would have to pay the health benefits appeals fee of \$200 annually.

Information Source(s): Maryland Insurance Administration, State Treasury Office,
Department of Fiscal Services

Fiscal Note History: First Reader - February 21, 1997

nrd

Analysis by: Lina Walker

Direct Inquiries to:

Reviewed by: John Rixey

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710