

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Revised

Senate Bill 904 (Senator Miller, *et al.*)

Finance

Referred to Environmental Matters

Consumer Health Information Act

This amended bill requires the Health Education and Advocacy Unit (HEAU) of the Office of the Attorney General to disseminate to any person who requests a consumer health information report: (1) information that HEAU receives from the Board of Physician Quality Assurance (BPQA), the Health Care Access and Cost Commission (HCACC), and the Insurance Administration (MIA); and (2) comparative information on HMOs and other alternative health care systems. The bill requires BPQA to collect and update specified information on each licensed physician and authorizes BPQA to assess a reasonable fee to cover the administrative costs of meeting the bill's requirements. Each HMO must provide in each marketing document and enrollment application form: (1) the telephone number and mailing address of HEAU; and (2) information concerning the right of the consumer to obtain a consumer health information report from HEAU.

Fiscal Summary

State Effect: General fund expenditures for HEAU for disseminating the report could increase by \$169,900 in FY 1998, which reflects the October 1, 1997 effective date and one-time costs. Future year expenditures reflect annualization and inflation. In addition, expenditures for HEAU and/or BPQA could increase by an indeterminate but significant amount in FY 1998 for data compilation costs (between \$357,900 and \$837,500). Special fund revenues for the BPQA Fund derived from license fees would increase by an amount sufficient to offset the administrative costs incurred by BPQA due to the bill's requirements. General fund revenues would increase by an indeterminate amount since 6% of BPQA fee revenues are distributed to the general fund.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	---	---	---	---	---
GF Expenditures	\$169,900	\$164,100	\$169,800	\$175,700	\$181,900
Net Effect	(\$169,900)	(\$164,100)	(\$169,800)	(\$175,700)	(\$181,900)

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

Local Effect: None.

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

Fiscal Analysis

Bill Summary: BPQA must collect and submit to HEAU information on each licensed physician that includes: (1) any disciplinary action taken by BPQA, revocation, or restriction of medical privileges, or malpractice court judgement or arbitration award in which a payment is made, within the previous ten years; (2) resignation or non-renewal of a licensee's contract with an HMO or alternative health care system within the previous ten years for conduct that is subject to disciplinary actions; (3) medical schools attended, certification received, number of years practicing as a physician, and hospitals with which the physician has privileges; (4) medical school appointments, publications, community activities; and (5) the location of the primary practice of the licensee and whether there are translation services at the practice setting.

HCACC must submit, annually, Health Plan Employer Data and Information Set (HEDIS) evaluations of the quality of care outcomes and performance measurements of each HMO in the State.

MIA must submit to HEAU the number of grievances filed with MIA against each HMO. The information must illustrate the differences across HMOs by region in the State.

Based on the annual reports submitted by the HMOs to the Department of Health and Mental Hygiene (DHMH), DHMH must submit to HEAU information, sorted by regions in the State, on: (1) the number of grievances filed at each HMO; (2) the number of persons disenrolled by the action of each HMO; and (3) the reasons for the disenrollment.

HEAU, in consultation with BPQA, must study (1) the impact of publicizing physician information by electronic media on the personal safety of physicians and their families; and (2) the issue of obtaining criminal background information on physicians to determine the most efficient method of collecting the data. HEAU must report its findings and recommendations to the Senate Finance Committee, the Senate Economic and Environmental Affairs Committee, and the House Environmental Matters Committee by October 1, 1998.

The clerk of each court must report to BPQA within ten days after a licensed physician is convicted of any crime or for violating specified existing law provisions, pleads nolo contendere to a criminal charge, or is placed on probation before judgement. In addition, the clerk must submit a copy of the proceedings of the court relating to that physician to BPQA.

State Effect: Expenditures as a result of this bill are attributable to (1) the cost of disseminating the consumer health information report; and (2) the cost of compiling the data on HMOs and physicians for inclusion in the consumer health information report.

Cost of Disseminating the Consumer Health Information Report

Assuming HEAU receives numerous inquiries for information regarding physicians and HMOs, expenditures for HEAU could increase by \$169,911 in fiscal 1998, which accounts for the October 1, 1997 effective date. This estimate is based on the experience of a similar program in Massachusetts which received approximately 1,000 calls a day for physician information in the initial months of operation. The program is now in its fifth month of operation and it receives between 200 and 300 calls a day for physician information. The estimate reflects the cost of hiring one Supervisor, four Secretaries, and four contractual Secretaries for the first three months of operation to field telephone inquiries and to fulfill the administrative functions of the program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$126,048
Operating Expenses	<u>43,863</u>
FY 1998 HEAU Expenditures	\$169,911

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.

Cost of Compiling the Data

The bill specifies that HEAU may develop, in consultation with BPQA, HCACC, and MIA, a form to facilitate the collection and/or dissemination of the information that is submitted to HEAU. Since there are only 22 HMOs licensed in the State, the cost of developing a database on HMOs and a format for collecting and disseminating information on HMOs would be minimal. There are, however, approximately 22,000 physicians licensed by BPQA. It is anticipated that the cost of compiling a database on physicians, which has to be updated periodically, and creating a concise format for disseminating the information on physicians, could potentially impose significant costs on the agency to which that responsibility is

delegated. This responsibility could be assumed by either BPQA or HEAU.

It is anticipated that the cost of creating a database of physician profiles could range between \$357,859 and \$837,468 in fiscal 1998. This range reflects two possible and polar methods of compiling the data on physicians.

The lower estimate accounts for paper surveys sent to physicians and the cost of two Data Clerks employed by HEAU and one Analyst employed by BPQA to administer the survey and provide data entry functions. It includes salaries, fringe benefits, and ongoing operating expenses. Expenditures in fiscal 1999 are estimated at \$362,649. Future year expenditures would reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

The higher estimate reflects the cost of data collection through electronic media. This estimate accounts for the cost of hiring two Computer Analysts who would be responsible for verifying new information received on physicians and updating the database. It includes salaries, fringe benefits, and ongoing operating expenses. The estimate also includes a one-time start-up cost of purchasing equipment for a Public Access Server, software development, and reconfiguration of the current computer system. Under this option, expenditures in the out-years decline significantly. Expenditures in fiscal 1999 are estimated at \$275,256. Future year expenditures would reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

The Board of Physician Quality Assurance advises that they should have the responsibility of compiling the database on physicians because they also have the responsibility of collecting the physician information, as well as updating and correcting inaccuracies in the data on physicians. In addition, BPQA advises that a computer system that accommodates electronic data transfers would be more efficient (meaning that expenditures for BPQA could be \$837,468 in fiscal 1998).

Consequently, BPQA anticipates that license fees could increase by \$44 for each physician to offset the additional administrative costs. Special fund revenues from fees would increase by \$484,000, of which \$387,200 (80%) would be distributed to the BPQA Fund, \$67,760 (14%) would be distributed to the State Scholarship Administration, and \$29,040 (6%) would be distributed to the general fund. The estimate is due to half of the licensees renewing their license in any given year and the remainder in any succeeding year.

The Department of Fiscal Services notes, however, that BPQA is not required to disseminate physician profiles and the bill provides HEAU with the responsibility of disseminating the consumer health information report. If HEAU employs the electronic media for disseminating the report, it may be more efficient for HEAU to develop a computer system to accommodate that option (meaning that expenditures for HEAU could be about \$837,468 in fiscal 1998). Under this circumstance, the fee revenues collected by BPQA would reflect their surveying costs and would be significantly less than \$837,200.

The additional reporting requirement for the courts could be handled with existing resources.

Small Business Effect: If consumers have access to additional information about physicians, it may impact their choice of physicians for obtaining health care services. Physicians who, within the previous ten years, were subject to a disciplinary action, a revocation or restriction of medical privileges, or a malpractice court judgement or arbitration award may experience a loss of patients or find it more difficult to attract new patients.

The availability of a consumer health information report may assist consumers in their choice of HMOs or alternative health care systems. This bill would have a positive impact on small businesses and self-employed persons to the extent that they may now better understand the differences among HMOs and other health care systems and choose a plan that is most appropriate for their needs.

All the HMOs licensed in the State are large businesses. The additional disclosure requirement on HMOs is expected to have a negligible impact on administrative costs for HMOs. Consequently, premiums on HMO plans, and health insurance costs for small businesses and self-employed persons, are not expected to increase.

Information Source(s): Department of Health and Mental Hygiene (Board of Physician Quality Assurance, Health Care Access and Cost Commission, Medical Care Policy Administration, Licensing and Certification, Boards and Commission); Insurance Administration; Office of the Attorney General; Department of Budget and Management; Judiciary (Administrative Office of the Courts); Department of Fiscal Services

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Analysis by: Lina Walker

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710