

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 95 (Delegate Goldwater, *et al.*)
Economic Matters and Environmental Matters

Consumer Health Care Protection Act

This bill consolidates the regulation of health care financing and provision of health care services by establishing a seven-member Consumer Health Care Protection Commission (CHCPC) and the Office of Consumer Health Care Protection (OCHCP). The bill provides for assessments to be imposed on all “health benefits carriers” to finance the commission and repeals the premium tax on health insurance.

Fiscal Summary

State Effect: General fund expenditures increase by \$639,400 in FY 1998. Revenues are not affected in FY 1998. General fund premium tax revenues decrease by \$25 million in FY 1999 while insurance assessment special fund revenues and expenditures increase by \$3.8 million. Future year expenditures and special fund revenues increase with inflation.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$0.0	(\$25.0)	(\$25.0)	(\$25.0)	(\$25.0)
SF Revenues	0.0	3.8	3.9	4.0	4.0
GF Expenditures	0.6	0.8	0.8	0.9	0.9
SF Expenditures	0.0	3.8	3.9	4.0	4.0
Net Effect	(0.6)	(25.8)	(25.8)	(25.9)	(25.9)

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: The bill transfers these functions to the commission: (1) the regulation of health insurance is transferred from the Maryland Insurance Administration; (2) the Health Resources Planning Commission, the Health Services Cost Review Commission, and the Health Care Access and Cost Commission are transferred from the Department of Health and Mental Hygiene (DHMH) and become advisory commissions; and (3) the regulation of various health care facilities and HMOs is transferred from DHMH's Licensing and Certification Administration.

The bill specifies that the chairman of the commission is the head of the OCHCP; the chairman appoints the executive director of the commission.

It establishes the Office of the People's Counsel (OPC) within the OCHCP to evaluate all matters pending before the commission to determine how the interests of health care consumers are affected. The OPC is to: (1) attempt to resolve each complaint that is directed by a consumer to the commission; (2) conduct investigations on systemic problems; and (3) require health benefits carriers to establish grievance procedures. OPC is authorized to impose a penalty of up to \$50,000 or require restitution.

It establishes a seven-member Benefits Review Professional Advisory Board in the Office of the People's Counsel to resolve disputes concerning availability of coverage for health care services and concerning questions of medical necessity. The board is to submit a report to the Governor and the General Assembly by January 31st of each year on summarizing the disputes resolved.

The commission is to study the feasibility of consolidating the Health Resources Planning Commission (HRPC), the Health Services Cost Review Commission (HSCRC), and the Health Care Access and Cost Commission (HCACC) and report on the consolidation issue by July 1, 1999 to the Governor, the Senate Finance Committee, and the House Economic Matters Committee. The Insurance Administration is required to issue a report to the Governor, the Senate Finance Committee, and the House Economic Matters Committee by September 1997 outlining any statutory changes needed to maintain accreditation by OCHCP and CHCPC.

The provisions of the bill creating the commission and the Insurance Administration's accreditation report take effect July 1, 1997. The assessment mechanism to cover expenses of the commission and the repeal of the premium tax on health insurers are applicable beginning in fiscal 1999. The rest of the bill takes effect July 1, 1998.

State Effect:

New Expenditures

General fund expenditures could increase by an estimated \$639,364 in fiscal 1998, which reflects a 90-day start-up delay. This estimate reflects the cost of establishing the commission by hiring seven commission members and one Executive Director (seven Executive 5 positions and one Executive 8 position). It includes commission salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses

Salaries and Fringe Benefits	\$ 553,754
Litigation	37,500
Other Operating Expenses	<u>48,110</u>
Total FY 1998 Commission Expenditures	\$ 639,364

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. There is a potential for future year savings if consolidation of the three health commissions takes place as a result of the commission's consolidation report.

Total Commission Budget

The commission's total fiscal 1998 budget would be an estimated \$16.5 million, which includes expenditures to establish the commission (\$0.6 million) and expenditures for transferred functions (\$15.9 million). Of the \$15.9 million, \$3.8 million is general funds, \$10.6 million is special funds, and \$1.5 million is federal funds. The following table shows the components that would be included in the commission's fiscal 1998 budget:

General Funds

New commission expenditures	\$634,364
Licensing and Certification Administration (transferred)*	2,934,540
Insurance Administration (transferred)	<u>230,310</u>
Total	\$3,804,214

**approximately 60% of the Licensing and Certification Administration's functions would be transferred to the commission*

Special Funds

Health Resources Planning Commission (transferred)	\$2,980,000
Health Services Cost Review Commission (transferred)	2,738,200
Health Care Access and Cost Commission (transferred)	<u>4,869,700</u>

Total	\$10,587,900
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Federal Funds

Office of Licensing and Certification (transferred)	\$1,520,460
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Commission Revenues

The bill provides for assessments to be imposed on all “health benefits carriers” to finance the commission and repeals the premium tax on health insurance. These provisions are not effective until fiscal 1999. Repeal of the premium tax for health insurance in fiscal 1999 would result in the loss of an estimated \$25 million in general fund revenues. This estimate reflects (1) the 2% tax; and (2) \$1.25 billion in health insurance premiums in 1995.

It is assumed that the portion of the commission’s budget supported with general funds in fiscal 1998 would be supported with insurance assessments beginning in fiscal 1999. Further, it is assumed, since the bill does not specify otherwise, that the portions of the commission’s budget currently supported with user fee special fund revenues (\$10.6 million) or with federal funds (\$1.5 million) would retain the same funding source. Therefore, in fiscal 1999, revenues from the new insurance assessment would increase by an estimated \$3.8 million. Future year assessment revenues must be sufficient to support the commission’s budget and therefore grow with inflation.

In addition, general fund revenues could increase by a moderate amount due to the bill’s provision that a person who engages in unsafe patient care is subject to a civil penalty of up to \$25,000.

Small Business Effect: Health care facilities and health insurers that are small businesses could benefit from consolidation and any resulting streamlining of State health care regulations. These entities could be adversely affected by (1) the commission’s funding mechanism of assessments on all health benefits carriers, which includes small non-profit health insurers. Although the bill eliminates the premium tax on health insurers, non-profit health insurers are exempt from this tax; and (2) the bill’s requirement that OCHCP focus on consumer complaints and develop grievance procedures for health care consumers.

Additional Comments: The Health Advocacy Unit in the Attorney General’s Office mediates medical billing and reimbursement disputes filed by consumers, which appears to be similar to the functions of the bill’s Office of the People’s Counsel. The unit handles approximately 875 disputes each year and has two professional staff.

Information Source(s): Department of Health and Mental Hygiene (Health Care Access and Cost Commission, Licensing and Certification Administration), Insurance Administration, Department of Fiscal Services, Attorney General's Office, Department of Legislative Reference

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