

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 265 (Delegate Donoghue)
Economic Matters

Health Insurance - Payments to Providers

This bill prohibits a health insurer, nonprofit health service plan, or HMO (carrier) from retrospectively denying payment for preauthorized or approved services, unless (1) at the time of the preauthorization/approval the patient was not insured or enrolled with the health plan; and (2) the event that caused the patient not to be covered by the health plan occurred less than ten working days before the date of preauthorization/approval. The carrier may not deduct from a payment an amount equal to the payment received by the health care provider for services which the carrier retrospectively has denied coverage.

Fiscal Summary

State Effect: General fund revenues and expenditures could increase by an indeterminate amount in FY 1998.

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

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

Fiscal Analysis

State Revenues: Medical care costs for some carriers could increase if they are unable to recoup claims that were improperly paid or presented for payment. This bill may result in carriers becoming more cautious about preauthorizing or approving certain services, although it is assumed that most medically necessary and appropriate services would receive preauthorization. The extent of the increase cannot be reliably estimated at this time because there are insufficient data on (1) the proportion of claims that are retrospectively denied and the reasons for denial; (2) the combined value of claims that are retrospectively denied; and

(3) whether providers would prescribe more services or carriers would approve fewer services as a result of this bill. In any event, if medical care costs increase, carriers would raise premiums and general fund revenues would increase by an indeterminate 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.

In addition, general fund revenues could increase by an indeterminate amount since insurance companies may be subject to rate and form filing fees as a result of this bill. Each insurer (except HMOs) that revises its rates 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: 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 costs onto the State employee health benefit plan. The extent of the increase in premiums cannot be reliably estimated at this time.

This bill would not directly affect the Medicaid program, but would indirectly affect it through the HMOs with which Medicaid contracts. The Medicaid program reimburses providers only for medically necessary health care services. Under this bill, medical care costs for HMOs may increase; however, the Medicaid program may not reimburse providers for all the costs if the program decides that the service was not medically necessary. In the short term, this bill would not affect the Medicaid program. However, in the long term the bill could increase expenditures minimally if HMOs with which Medicaid contracts persuade the State to increase the reimbursement rates to HMOs to accommodate the increase in costs.

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: This bill could benefit small business health providers as some claims may now be reimbursed where they previously would have been denied.

This bill may increase medical care costs to small business health carriers. Most nonprofit health service plans, which are mainly dental and vision plans, are small businesses. These small businesses may be unable to recoup claims that were improperly paid or presented for

payment.

To the extent that costs increase as a result of this bill and health carriers raise premiums to cover that increase, self-employed persons and small businesses that offer health insurance could face higher health care costs. Alternatively, small businesses 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), Department of Budget and Management, 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