SB 335

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 335 (Senator Dorman)
Finance Referred to Economic Matters

Health Insurance - Health Care Providers - Retroactive Denials of Reimbursement

This amended bill specifies that health insurers, nonprofit health service plans, or HMOs (carriers) may retroactively deny reimbursements to health care providers if the retroactive denial: (1) was for services that are subject to coordination of benefits (COB) with another carrier, the Maryland Medical Assistance program, or the Medicare program during the 18-month period after the claim was paid; (2) occurred during the six-month period after the carrier paid the claim; or (3) occurred because information submitted to the carrier was fraudulent or improperly coded. The denial must be accompanied by a written statement specifying the basis for the denial. If the denial results from COB, the written statement must provide the name and address of the entity accepting responsibility for the denied payment. Under this circumstance, the health care provider must have at least six months from the date of denial to submit the claim to the appropriate entity for reimbursement. The Maryland Association of Health Maintenance Organizations, Blue Cross Blue Shield of Maryland, and the League of Life and Health Insurers must conduct a study on the feasibility of coordinating retroactive denials of reimbursement so that payment of claims subject to COB does not affect a provider's reimbursement. The results of the study must be reported to the Senate Finance Committee and the House Economic Matters Committee by November 1, 1997.

Fiscal Summary

State Effect: General fund revenues and expenditures could increase by a potential minimal 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 more claims being denied at the outset, although, it is assumed that most of these denials would have occurred in the absence of this bill. It is anticipated that some carriers may withhold payments on some claims for a longer time than under current practice in order to avoid having to recoup improperly paid claims, but it is also assumed that all fair claims will be settled by the carrier. Although there are insufficient data to reliably estimate the extent of the increase in medical care costs, the increase is expected to be minimal. The affected carriers may raise premiums, meaning that general fund revenues could increase by an indeterminate minimal amount 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 minimal amount in fiscal 1998 since the bill's requirements could subject insurance companies to rate and form filings. Each insurer (except HMOs) that revises its rates or 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, medical care costs for some carriers could increase. Expenditures for the State would increase if carriers pass some of the increased costs onto the State employee health benefit plan through higher premiums.

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 would benefit small business health providers by reducing the time frame for carriers to retroactively deny reimbursements. It is possible that some claims may now be reimbursed where they previously would have been denied.

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

To the extent that medical care costs increase as a result of this bill and health carriers raise premiums to cover that increase, self-employed persons and small businesses could face higher health care costs. The increase, however, is expected to be minimal. Alternatively, small businesses could pass an increase in insurance premium costs onto their employees.

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

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