

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 556 (Delegate Frank, *et al.*)
Economic Matters

Health Insurance - Reimbursement of Service Providers

This bill specifies that if a health insurer, nonprofit health service plan, or health maintenance organization (carrier) sends notice to a provider about a dispute in claims, or notifies a provider that it did not receive a claim from the provider, any time limit imposed by the carrier on the provider for submission of claims information must begin from the date the notice was given.

Fiscal Summary

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

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

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

Fiscal Analysis

State Revenues: Under this bill, health providers may have more time to submit claims information to health carriers. As a result, it is possible that some claims would be reimbursed where they previously would not have been because of untimely filing. This could increase medical care costs to carriers. Moreover, administrative costs could increase if carriers have to establish a process for tracking claims and the date notices are sent. These 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 1997 since the bill's requirements could subject insurance companies to rate and form filings. 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 health maintenance organization (HMO) plans and POS in-network services. Under this bill, administrative and medical care costs to the State employee health benefit plan could increase for the reasons discussed above. The extent of any increase in costs, however, is expected to be negligible.

This bill would not directly affect the Medicaid program, but would indirectly affect it through the HMO with which Medicaid contracts. HMOs may incur additional administrative and medical care costs due to this bill. In the short-term, this bill would not affect the Medicaid program because the program is exempt from State mandates. However, in the long term the bill could increase expenditures if HMOs with which Medicaid contracts persuade the State to increase the reimbursement rates to HMOs to accommodate the increase in costs as a result of the bill. The increase, however, is expected to be negligible.

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 offering them more time to submit claims information to a health carrier. It is possible that some claims may now be reimbursed where they previously would not have been because of untimely filing.

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

Fiscal Note History: First Reader - February 17, 1997

ncs

Analysis by: Lina Walker

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710