

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 606 (Delegate Frank, *et al.*)
Economic Matters

Health Insurance - Payment of Interest on Claims

This bill specifies that if a health insurer, nonprofit health service plan, or HMO (carrier) requests and receives the additional information needed to process a claim, the claim must be paid or a written notice specifying each reason for denial must be sent to the claimant within ten days from the date the information was mailed. If any amount of the claim remains unpaid after the time limit, interest must be paid on the unpaid amount.

Fiscal Summary

State Effect: Potential indeterminate increase in general fund expenditures and revenues in FY 1998.

Local Effect: None.

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

Fiscal Analysis

State Revenues: For some carriers, ten days may not be sufficient to resolve questions or issues relating to the claim after additional information has been received from the claimant. In those cases, cost to the carrier may increase as a result of (1) additional interest cost on unadjudicated claims; and (2) payment for services which may otherwise not have been paid. The extent of the increase cannot be reliably estimated at this time because there are insufficient data on: (1) the proportion of claims that require additional information; (2) the average length of time carriers take to review claims after additional information has been received; and (3) the combined value of those claims. In any event, the affected carriers may increase premiums and general fund revenues could 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 the 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 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.

Small Business Effect: To the extent that some health care providers may receive payment for services which may otherwise not have been paid, revenues for small business health care providers would increase.

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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