HB 826

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 826 (Delegates Barve and Goldwater)
Economic Matters

Health Insurance - Compensation of Health Care Practitioners - Capitated Fees

This bill prohibits a health insurer, nonprofit health service plan, or HMO (carrier) from retaining capitated fees from a health care practitioner. Within 45 days after an enrollee or covered person chooses or obtains health care from a health care practitioner, the carrier must pay the practitioner all accrued but unpaid capitated fees that are attributed to an enrollee as if the enrollee had chosen the practitioner at the time of enrollment.

Fiscal Summary

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

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: Some enrollees in a health plan do not choose their health care practitioner at the time of enrollment. The carrier, however, would be receiving payments for the enrollee in the health plan but would only begin making capitated payments to the health care practitioner after the enrollee has chosen a primary care practitioner (PCP). As a result of this bill, some health care practitioners may receive additional capitated payments for the months between enrollment in a health plan and the time the enrollee chooses a practitioner, which means that costs to the carrier would increase. Carriers may also experience an increase in administrative costs in order to conform to the 45-day time frame for paying health practitioners after the enrollee has chosen or received health care services from the practitioner.

The extent of the potential increase in costs cannot be reliably determined at this time because there are insufficient data on (1) the number of additional months for which capitated payments would be made to a practitioner; and (2) the average time after an enrollee selects a practitioner for the practitioner to receive payments. Moreover, the impact on carriers would vary because some HMOs currently would automatically assign a PCP to the enrollee if the enrollee has not selected a PCP after 30 to 60 days and begin making capitated payments to the PCP, while others do not. In any event, these carriers could raise premiums on their health plans, meaning that 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 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 expenditures cannot be reliably estimated at this time.

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: Some enrollees in a health plan do not choose their health care practitioner at the time of enrollment. Although the carrier receives payments for the enrollee in the health plan, it may be that only after the enrollee has chosen a practitioner does the carrier begin making capitated payments to the health care practitioner. For some health care practitioners, the bill may provide additional capitated payments for the months between enrollment in a health plan and the time the enrollee chooses a practitioner.
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 (Health Care Access and Cost Commission, Medical Care Policy Administration); Department of Budget and Management; Maryland Association of Health Maintenance Organizations; Department of Fiscal Services

Fiscal Note History: First Reader - February 21, 1997
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