

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 196 (Senator Hollinger)
Finance

Health Benefit Plans - Denial of Services - Second Opinions

The bill specifies that health insurers, non-profit health service plans, and health maintenance organizations (carriers) may not refuse to authorize a health service recommended by the patient's physician, registered nurse, or other authorized health care provider unless a second opinion has been obtained from another provider of the same specialty. The bill requires the health plan to pay for the second opinion.

Fiscal Summary

State Effect: General fund expenditures and revenues could increase by an indeterminate amount beginning 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 carriers could increase as a result of having to pay for (1) a second opinion; and (2) procedures for which they may not have authorized in the absence of this bill. The magnitude of the increase, however, cannot be reliably estimated at this time because there are insufficient data on the increase in the number of second opinions and the additional cost of covering procedures that were previously not covered by the carrier. In any event, the increase in medical care costs could cause carriers to raise premiums, meaning that general fund revenues could increase by an indeterminate amount as a result of the State's 2% insurance premium tax that would apply to any increased health insurance premiums resulting from the bill's requirements. The State's premium tax is only applicable to "for-profit" insurance carriers.

In addition, general fund revenues could increase by an indeterminate amount in fiscal 1998 since the bill's requirements could subject insurance companies to rate and form filings. Each insurer (with the exception of health maintenance organizations) that amends its insurance policy must submit the proposed change to the Insurance Administration and pay a \$100 form filing fee. Further, each insurer (with the exception of health maintenance organizations) that revises its rates must submit the proposed rate change to the Insurance Administration and pay a \$100 rate filing fee. The number of insurers who will file new forms and rates 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: This bill could potentially increase medical care costs for the State employee health benefit plan by eroding the ability of the health plan to monitor and control utilization. Medical care costs could increase as a result of having to pay for (1) a second opinion; and (2) procedures for which they may not have authorized in the absence of this bill. The extent of the increase in medical care costs cannot be reliably estimated at this time because of insufficient data.

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 small business health insurance plans may presently cover the cost of a second opinion from a health care provider who participates with the health plan, although, it is likely that very few or none currently cover a second opinion from a nonparticipating provider. Most small business health plans affected by this bill are non-profit health service plans, which are mainly dental plans and vision plans. The cost to these plans would be minimal because it is assumed that most experimental or expensive medical procedures would not be covered through a dental or vision plan. To the extent that there may be other small business health insurers impacted by this bill, it may impose a significant cost to the small business if: (1) they have to pay for a second opinion; and (2) they have to pay for procedures for which they may not have authorized in the absence of this bill. It is assumed, however, that the number of affected health insurers is minimal.

In addition, this bill will adversely impact self-employed persons and small businesses that receive health coverage through the affected health plans. To the extent that administrative or medical costs increase as a result of this bill and health plans raise premiums to cover that increase, self-employed persons and small businesses could face higher health care costs. Alternatively, small businesses could pass an increase in insurance premium costs onto their employees.

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