

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Revised

Senate Bill 97 (Chairman, Finance Committee)

(Departmental - Health and Mental Hygiene)

Finance

Referred to Economic Matters

**Maryland Health Care Access and Cost Commission -
Modifications and Clarifications**

This amended, departmental bill proposes three modifications to provisions in statute relating to the Health Care Access and Cost Commission (HCACC). The bill (1) continues the user fee assessment for HCACC, which was scheduled to sunset on May 31, 1998; (2) modifies the definition of a self-employed individual for eligibility purposes under the Maryland Health Insurance Reform Act; and (3) delays the implementation date of the health care practitioner payment system from January 1, 1997 to January 1, 1999.

The bill takes effect June 1, 1997.

Fiscal Summary

State Effect: Repealing the sunset date for the HCACC's user fee assessment would continue State financing for HCACC in FY 1999 as discussed below. Potential minimal increase in general fund revenues and decrease in general fund expenditures due to the bill's provision relating to the definition of a self-employed individual as discussed below.

Local Effect: Indeterminate minimal decrease in local expenditures for health services. Revenues would not be affected.

Small Business Effect: The Health Care Access and Cost Commission has determined that this bill has minimal or no impact on small businesses (attached). Fiscal Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

Bill Summary: A self-employed person includes an individual who resides or works in Maryland and is organized as a sole proprietorship or in any legally recognized manner that a self-employed individual may organize. If the health benefit plan is issued to a self-employed individual prior to the effective date of this bill by an authorized insurer/carrier and the insurer/carrier subsequently does not offer a health benefit plan for small employers, then the health benefit plan at renewal is no longer a qualified plan for small employers. The bill also specifies that the carrier may request documentation verifying the person meets the criteria of a small employer.

HCACC must conduct a study of the desirability of a statewide payment system for health care practitioners and report its findings and recommendations to the Senate Finance Committee and the House Environmental Matters Committee by November 1, 1997. The bill prohibits HCACC from implementing the health care practitioner payment system before January 1, 1998. HCACC must submit, for emergency adoption, proposed regulations for the implementation of the health care practitioner payment system by January 1, 1999.

Background: Chapter 462 of the Acts of 1995 specified that HCACC be funded one-third by a user fee assessed on health practitioners and two-thirds by an assessment on payors (health insurers, non-profit health plans, health maintenance organizations, and third party administrators). HCACC is required by statute to develop a uniform reimbursement system for all health care practitioners in the State. The reimbursement to practitioners under the payment system is composed of three numeric factors: (1) a practitioner's resources to provide services relative to other practitioners; (2) the value of a service relative to other health care services; and (3) a conversion modifier to convert to a dollar value.

State Effect:

Repeal of Sunset

The user fee assessment provides the funding mechanism for HCACC. Total fees assessed by HCACC may not exceed \$5 million in any fiscal year. Special fund revenues would be maintained for HCACC because the bill proposes to continue the user fee assessment on health practitioners and health payors. It is anticipated that the fiscal 1999 State budget would include approximately \$4.9 million in special fund revenues and expenditures for HCACC.

Definition of Self-Employed Individual

Chapter 501 of the Acts of 1995 extended eligibility for the comprehensive standard health benefit plan (CSHBP) to the self-employed. The provision in this bill relating to the CSHBP closes a loophole in the definition of a self-employed individual. General fund revenues could increase by an indeterminate minimal amount in fiscal 1998 as a result of the State's 2% insurance premium tax. The 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.

In the last quarter of 1995, 61,300 businesses in Maryland (incorporated and unincorporated) had one to four employees. It is not known how many of these businesses have only one employee and are affected by this bill. In any event, the number of uninsured persons in Maryland could decrease beginning in fiscal 1997, thereby decreasing the cost of: (1) hospital uncompensated care and Medicaid Assistance Program costs due to lower hospital rates; (2) health services funding to local health departments which serve the "grey-area" population (those who have too much income to be eligible for medical assistance but can not afford to purchase health insurance); and (3) Primary Care for the Medically Indigent Program, which serves indigent adults with medical disabilities who are not eligible for medical assistance.

Practitioner Payment System

Delaying the implementation date of the health care practitioner payment system would not affect State expenditures because the scope of HCACC's responsibilities relating to the project would not change.

Local Expenditures: Local health expenditures could decrease by an indeterminate minimal amount to the extent that the bill's requirements result in fewer uninsured individuals in a jurisdiction.

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

Fiscal Note History: First Reader - January 14, 1997

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