Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 288 (Delegate Weir)
Economic Matters

Health Insurance - Minimum Length of Hospital Stay - Catheter Insertion

This bill requires health insurers, nonprofit health service plans, and health maintenance organizations (carriers) to provide a minimum of 24 hours of inpatient hospitalization after the insertion of a catheter.

Fiscal Summary

State Effect: If the State chooses to include the bill's mandated benefit as part of the employee health benefit plan, general fund expenditures would increase by an indeterminate amount in FY 1998. General fund revenues 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: A heart catheterization is typically performed at the time of an angioplasty for which the patient would probably receive inpatient hospitalization. A bladder or IV catheterization, on the other hand, is frequently performed on an outpatient basis or as part of a home health care visit. Requiring a minimum of 24 hours inpatient hospitalization following the insertion of a catheter would increase medical care costs to carriers. The extent of the increase, however, cannot be reliably estimated at this time because there are insufficient data available to assess the impact of the bill's requirement on costs. In any event, as a result of increased medical care costs, the affected carriers would raise premiums on their health plans. Consequently, 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 insurance companies that do not already provide the coverage mandated by the bill's requirements will be subject to rate and form filing fees. 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: Although the State is self-insured and not required to cover mandated health benefits, in the past the State employee health benefit plan has always included coverage for mandated health benefits. Therefore, if the State chooses to include the bill's mandated benefit, medical care costs for the State employee health benefit plan would increase. The extent of the increase, however, cannot be reliably estimated at this time because of insufficient data.

This bill would not directly affect the Medicaid program, but would indirectly affect it through the health maintenance organizations (HMO) with which Medicaid contracts. The Medicaid program reimburses providers only for medically necessary inpatient hospitalization. Under this bill, HMOs would be required to provide the minimum inpatient hospitalization; however, the Medicaid program may not reimburse providers for all the costs if the program decides that the hospitalization was not medically necessary. In the short term, this bill would not affect the Medicaid program. However, in the long term the bill could increase expenditures minimally 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.

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: A heart catheterization is typically performed at the time of an angioplasty for which the patient would probably receive inpatient hospitalization. A bladder or IV catheterization, on the other hand, are frequently performed on an outpatient basis or as part of a home health care visit. Requiring a minimum of 24 hours inpatient hospitalization following the insertion of a catheter would increase medical care costs to carriers.

In 1995, 40% of small businesses were covered under the Comprehensive Standard Health Benefit Plan (CSHBP), which is exempt from State mandates. If the CSHBP decides to cover this mandated benefit, premiums would increase for the CSHBP. For the remaining 60% of small businesses, health insurance costs would increase if: (1) they offer health insurance; (2) they currently do not offer the minimum coverage required by the bill; and (3) their health plan is subject to the mandates. In that event, this bill will adversely impact self-employed persons and small businesses that receive health coverage through the affected health carriers. To the extent that medical care costs increase as a result of this bill and health carriers 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 (Health Care Access and Cost Commission, Medical Care Policy Administration); Department of Budget and Management; Department of Fiscal Services

Fiscal Note History: First Reader - February 5, 1997
brd

Analysis by: Lina Walker
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710