

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 828 (Delegates Barve and Goldwater)
Economic Matters

Health Benefit Carriers and Health Maintenance Organizations - Information Disclosure

This bill requires HMOs to include in each marketing document the amount of compensation and bonuses paid to executives and officers of the HMO and the proportion of revenues spent on medical services. Other health insurers or nonprofit health service plans must include the above disclosure materials in their marketing documents if the information is requested by a health care provider or a patient who has a contractual relationship with the carrier. In addition, a health insurer, nonprofit health service plan, or HMO (carrier) must disclose the carrier's health care provider fee schedule if the information is requested by a health care provider or patient who has a contractual relationship with the carrier.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues and expenditures.

Local Effect: Expenditures for local jurisdiction employee health benefits could potentially increase by a minimal amount. Revenues would not be affected.

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

Fiscal Analysis

State Revenues: The disclosure requirement could increase the administrative costs of health carriers. The extent of the increase, however, is expected to be minimal. Carriers may raise premiums as a result and general fund revenues could increase by a minimal amount in fiscal 1998 due to 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 a minimal amount if the carrier has to file new rates and forms as a result of the

bill's requirements.

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 administrative costs onto the State employee health benefit plan. Any increase, however, is expected to be minimal.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could increase by a minimal amount, depending upon the current type of health care coverage offered and number of enrollees.

Small Business Effect: Administrative costs for small business health carriers could increase by a minimal amount as a result of this bill. Most nonprofit dental and vision plans could be considered small businesses.

To the extent that administrative 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. Any increase in premiums, however, is expected to be minimal. 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, Health Care Access and Cost Commission); Department of Budget and Management; Department of Fiscal Services

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