

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 709 (Senator Van Hollen, *et al.*)
Finance

Referred to Economic Matters

Patient Protection Act

This amended bill prohibits health insurers, nonprofit health service plans, and HMOs (carriers) from paying bonuses, incentives, or other financial compensation to health care practitioners that would induce the practitioners to withhold or delay the provision of appropriate health care services to enrollees.

The bill takes effect July 1, 1997 and applies to all contracts issued on or after July 1, 1997. Contracts issued before July 1, 1997 must comply with the bill's requirements by July 1, 1998.

Fiscal Summary

State Effect: Indeterminate effect on general fund revenues and expenditures as discussed below.

Local Effect: None.

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

Fiscal Analysis

State Effect: The effect of this bill on utilization controls in managed care plans depends on the extent to which financial incentives are currently employed to restrict utilization of health care services. If this practice is limited in scope, the bill would have a negligible effect on the premiums of health carriers and on the cost to the State employee health benefit plan. If, however, the practice is widespread among managed care plans to restrict utilization, the bill could potentially increase medical care costs to health carriers, and consequently, premiums could rise and costs to the State employee health benefit plan could increase. Fiscal Services

has not received any information relating to the occurrence of and frequency with which carriers provide financial incentives to physicians to restrict utilization of health care services.

As a result of increased premiums, general fund revenues could increase by an indeterminate 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 an indeterminate amount if carriers have to file new rates and forms to the Insurance Administration and pay a \$100 rate and/or form filing fee.

Small Business Effect: To the extent that current financial incentive programs would be prohibited under this bill, some health care practitioners may experience a reduction in their compensation package from health carriers as a result of this bill. With the exception of some nonprofit vision and dental plans, health insurers, nonprofit health service plans, and HMOs are not small businesses. For the small business nonprofit vision and dental plans, it is assumed the effect of this bill would be negligible for the reason specified above.

Information Source(s): Insurance Administration; Department of Health and Mental Hygiene (Health Care Access and Cost Commission, Health Services Cost Review Commission, Boards and Commissions, Board of Physician Quality Assurance); Department of Budget and Management; Department of Fiscal Services

Fiscal Note History: First Reader - March 4, 1997
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