

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 534 (Delegate Weir)

Environmental Matters

Health Care Access and Cost Commission - Evaluation of Practitioners and Providers

This bill directs the Health Care Access and Cost Commission (HCACC) to establish and implement a system to comparatively evaluate the quality of care outcomes and performance measurements of health care practitioners and health care providers, including hospitals, by January 1, 2000. The summary findings of the evaluation must be published annually. The bill also requires HCACC to assess a fee on all health care providers such that total fees collected by HCACC be derived one-third from health care practitioners, one-third from health care providers, and one-third from payors. The fees assessed on health care providers must be included in the licensing fee paid to health boards and transferred to HCACC on a quarterly basis. Under current law, HCACC assesses fees on health care practitioners and payors such that one-third of total fees is derived from practitioners and two-thirds from payors.

Fiscal Summary

State Effect: Special fund expenditures are expected to increase by \$778,400 in FY 1999, which accounts for the bill's October 1, 1998 effective date and one-time costs. Future year expenditures reflect annualization and inflation. Special fund revenues would increase by \$477,700 in FY 1999. Future year revenues assume no change in the number of health care practitioners/providers or in the fees assessed.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
SF Revenues	\$477,700	\$477,700	\$477,700	\$477,700	\$477,700
SF Expenditures	\$778,400	\$751,200	\$761,800	\$772,700	\$783,800
Net Effect	(\$300,700)	(\$273,500)	(\$284,100)	(\$295,000)	(\$306,100)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Small Business Effect: Indeterminate, depending on the fees assessed on small business health care facilities. Currently, HCACC already assesses fees on health care practitioners.

Fiscal Analysis

Background: Under current law, HCACC was directed to establish and implement a similar system for HMOs by January 1, 1994. The summary findings of the HMO Quality and Performance Evaluation System were distributed in the form of “HMO report cards” for the first time in 1997.

State Effect: Expenditures for HCACC as a result of this bill are due to: (1) additional State personnel costs; and (2) contractual costs for developing the quality and performance evaluation system (“report cards”).

Special fund expenditures could increase by an estimated \$778,399 in fiscal 1999, which accounts for the bill’s October 1, 1998 effective date. This estimate reflects the cost of hiring three positions (two regulatory Economists and one Office Secretary) to assist with the development of “report cards” for health care practitioners and facilities. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The estimate also includes the following cost components of creating “report cards”:

- An annual field survey of patient satisfaction with physician groups and hospitals \$397,815
- Design and distribution of physician-group and hospital “report card” \$225,000
- A one-time cost for pilot projects for other “report cards”, such as nursing homes and ambulatory care centers \$50,000

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; (2) annualization; and (3) 1% annual increases in ongoing operating expenses.

Current law provides that total fees collected by HCACC must not exceed \$5 million in any year. Since health care providers/facilities would be assessed a fee for the first time, the fees assessed on payors would have to be lowered in order for total fees to remain at or below the statutory cap of \$5 million.

HCACC expects to assess fees to cover the additional costs required as a result of this bill. However, given the statutory cap of \$5 million and HCACC's fiscal 1999 budget allowance of \$4,522,260, Legislative Services advises that HCACC would only be able to increase fee revenues by, at most, \$477,740 in fiscal 1999. Accordingly, HCACC's ability to recover costs via fee increases has a shortfall of \$300,659.

Out-year revenues assume: (1) no change in the statutory cap; (2) the fees assessed remains the same; and (3) the number of health care practitioners and providers remain unchanged.

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

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Analysis by: Lina Walker

Reviewed by: John Rixev

Direct Inquiries to:

John Rixev, Coordinating Analyst

(410) 841-3710

(301) 858-3710