

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 704 (Delegate Donoghue)

Economic Matters

Health Insurance - Health Care Providers - Retroactive Denials of Reimbursement

This bill prohibits a health insurer, nonprofit health service plan, or HMO (carrier) under any circumstances, except for cases of fraud, from retroactively denying reimbursement or attempt to retroactively collect reimbursement already paid to a health care provider for services which were preauthorized by the carrier.

Fiscal Summary

State Effect: Expenditures for the State Employee Health Benefit Plan could increase by an indeterminate amount in FY 1999. Future year expenditures for the Medicaid program could increase incrementally over time. General fund revenues could increase by a minimal amount in FY 1999.

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

Small Business Effect: Potential minimal.

Fiscal Analysis

State Revenues: Medical care costs for a carrier could increase if the carrier is unable to recoup claims that were improperly paid or presented for payment for health care services that were previously preauthorized by the carrier. At this time, there are insufficient data to reliably estimate the extent of the increase in medical care costs. In any event, the affected carriers may raise premiums, meaning that general fund revenues could increase by an indeterminate minimal amount as a result of 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 minimal amount in fiscal 1999 since the bill's requirements could subject insurance companies to rate and form

filings. Each insurer (except HMOs) that revises its rates or 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.

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, medical care costs for some carriers could increase. Expenditures for the State would increase if carriers pass some of the increased costs onto the State Employee Health Benefit Plan through higher premiums. The extent of the increase cannot be determined at this time.

Costs for Medicaid MCOs that are also HMOs could increase because the bill would prevent coordination of benefits with other carriers. That is, under the bill, if an MCO pays for a service for which it subsequently learns that another carrier or third party had a responsibility to pay, it may be prevented from retroactively collecting the payment from the health care provider. The Medicaid MCO rates assume approximately \$20 million in "cost avoidance"/recoveries from coordination of benefits for all MCOs. Approximately 72% of Medicaid recipients are in MCOs that are also HMOs. As a result of increased MCO costs, MCO capitation rates would incrementally increase over time, thus increasing costs for the Medicaid program.

Small Business Effect: This bill would benefit small business health providers. It is possible that some claims may now be reimbursed where they previously would have been denied.

This bill may minimally increase medical care costs to small business carriers. Most non-profit health service plans, which are mainly dental and vision plans, are small businesses and may be unable to recoup claims that were improperly paid or presented for payment.

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.

Information Source(s): Department of Health and Mental Hygiene (Health Care Access and Cost Commission, Medical Care Policy Administration), Department of Budget and Management, Insurance Administration, Department of Legislative Services

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Analysis by: Lina Walker

Direct Inquiries to:

Reviewed by: John Rixey

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710