Department of Legislative Services

Maryland General Assembly

FISCAL NOTE

Revised

Senate Bill 644 (Senator Van Hollen, *et al.*)
Finance

Patient Protection Act

This bill prohibits a health insurer, nonprofit health service plan, or HMO (carrier) from reimbursing a health care practitioner an amount less than the "reimbursement schedule" applicable to the practitioner at the time that medical services were rendered. In addition, a carrier is prohibited from adopting a reimbursement schedule that reduces the reimbursement to a practitioner or a practice group of practitioners based on the overall number or cost of medical services proposed or recommended.

Under current law, a carrier may provide incentive-based compensation to a practitioner if the incentive-based compensation does not violate the quality of care standards required of HMOs or deter the delivery of medically appropriate care. The bill expands the conditions under which incentive-based compensations may be made to include bonuses based on the provision of preventative health care services. The bill provides additional requirements regarding the contents of the reimbursement schedule and the instances when the reimbursement schedule and methodology for calculating incentive-based compensation must be provided to practitioners.

The bill takes effect January 1, 1999.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: Potential minimal.

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. Legislative 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 this bill, future Medicaid capitation rates to managed care organizations (MCOs) could increase to accommodate any increased costs incurred by those MCOs that are also HMOs.

If premiums increase, general fund revenues could increase by an indeterminate minimal amount in fiscal 1999 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 minimal amount if carriers (except HMOs) have to file new rates and forms to the Insurance Administration and pay a $100 rate and/or from 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 minimal.

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

Fiscal Note History: First Reader - March 8, 1998
tlw Revised - Senate Third Reader - April 3, 1998

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