

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 1366 (Delegates McHale and Donoghue)

Environmental Matters

Health Maintenance Organizations - Annual External Review of Quality

This bill specifies the frequency with which the Department of Health and Mental Hygiene (DHMH) must conduct an external review of the quality of HMO health care services. The bill requires DHMH to conduct the external review annually.

Fiscal Summary

State Effect: General fund expenditures could increase by \$126,700 in FY 1999. Future year expenditures reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	\$126,700	\$155,300	\$160,700	\$166,400	\$172,200
Net Effect	(\$126,700)	(\$155,300)	(\$160,700)	(\$166,400)	(\$172,200)

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

Local Effect: None.

Small Business Effect: None. HMOs are not small businesses.

Fiscal Analysis

State Expenditures: Currently, DHMH conducts an external review of each HMO once every three years. There are 21 licensed HMOs in Maryland. As a result of increasing the frequency of the external review from once every three years to annually, general fund expenditures could increase by an estimated \$126,652 in fiscal 1999, which accounts for the bill's October 1, 1998 effective date. This estimate reflects the cost of three positions (one Physician, one Health Facility Survey Nurse, and one Administrative Specialist) to conduct

the reviews. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$112,496
Operating Expenses	<u>14,156</u>
Total FY 1999 State Expenditures	\$126,652

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

Information Source(s): Department of Health and Mental Hygiene (Medical Care Policy Administration, Licensing and Certification); Department of Legislative Services; Maryland Association of Health Maintenance Organizations

Fiscal Note History: First Reader - March 13, 1998

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