

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Revised

House Bill 1207 (Delegate Crumlin)

Economic Matters

Fraudulent Insurance Acts - Unbundling and Upcoding

This bill provides that it is a fraudulent insurance act to engage in a pattern or practice of billing for a health care service or item using a “code” that results in a greater payment than the applicable code. The applicable penalties for a violation of the above provision are: (1) liability for the value of the property taken; and (2) a fine and/or imprisonment.

Fiscal Summary

State Effect: Special fund expenditures for the Insurance Fraud Division within the Insurance Administration (MIA) could increase by \$89,100 in FY 1999. Future year expenditures reflect annualization and inflation. General fund expenditures and revenues could increase due to the applicable penalty provisions.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	--	--	--	--	--
SF Expenditures	\$89,100	\$111,300	\$115,300	\$119,400	\$123,700
Net Effect	(\$89,100)	(\$111,300)	(\$115,300)	(\$119,400)	(\$123,700)

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

Local Effect: Minimal. Local expenditures and revenues could increase due to the applicable penalty provisions.

Small Business Effect: None.

Fiscal Analysis

State Expenditures: According to the Insurance Fraud Division, some health care providers overcharge for services by billing for two or more procedures when the surgery or medical service is covered under one code (“unbundle”), or billing for a procedure under a code that indicates a higher level of treatment and cost (“upcode”). The practice is frequently seen in soft tissue injury claims. Currently, if an insurance company suspects that a health care provider is engaged in either unbundling or upcoding, the insurance company could address the problem through a medical review with the provider or the parties could end up in litigation to resolve the issue.

As a result of this bill, the Insurance Administration anticipates that the number of complaints received for insurance fraud investigations would increase substantially. In fiscal 1998, an estimated 800 complaints were received by the fraud division. Consequently, special fund expenditures for the fraud division could increase by \$89,123 in fiscal 1999, which accounts for the October 1, 1998 effective date. The estimate reflects the cost of two positions (one Assistant Attorney and one Investigator) to handle the additional complaints. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$82,793
Operating Expenses	<u>6,330</u>
Total FY 1999 State Expenditures	\$89,123

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 (Community and Public Health Administration, Medical Care Policy Administration); Insurance Administration; Health Claims Arbitration Office; Department of Legislative Services

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