

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 1058 (Delegate Bonsack. *et al.*)

Environmental Matters and Economic Matters

Health Maintenance Organizations - Quality of Care - Requirements

This bill modifies the quality of care standards for HMOs. Specifically, the bill requires an HMO to assure that only the attending physician or other health care provider, in consultation with the enrollee, can decide on the health care services to be provided to the enrollee. The HMO must allow physicians and other health care providers to practice their profession as medically necessary and not interfere with the delivery of health care services.

Fiscal Summary

State Effect: Indeterminate but potentially significant increase in expenditures for the State Employee Health Benefit Plan. Revenues would not be affected.

Local Effect: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate but potentially significant amount, depending upon the type of health care coverage offered and the number of employees. Revenues would not be affected.

Small Business Effect: Potential meaningful.

Fiscal Analysis

State Expenditures: By allowing only health care providers to make decisions about health care services to be provided, this bill could reduce the ability of HMO plans to control utilization of health care services, which could increase medical care costs for HMOs. Since the State Employee Health Benefit Plan is insured for HMO plans, any increased costs to HMOs would be passed onto the State. The extent of the increase cannot be determined at this time because there are insufficient data on the total cost of services that would be recommended by providers which were previously not covered by the HMO, although it could be significant.

As a result of this bill, future Medicaid capitation rates to managed care organizations (MCOs) could increase to accommodate the increased costs incurred by those MCOs that are also HMOs.

Small Business Effect: For the reasons indicated above, the effect of this bill on HMO costs could potentially be significant. To the extent that medical care costs increase as a result of this bill and HMOs raise premiums to cover that increase, self-employed persons and small businesses that offer health insurance could face higher health care costs. Alternatively, small businesses could pass an increase in health insurance premium costs onto their employees.

Also, to the extent this bill would give physicians and other health care providers increased participation in the health care decisions of patients, small businesses and self-employed health care providers would be positively impacted.

All the HMOs licensed in the State are not small businesses.

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

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Analysis by: Lina Walker
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710