

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

House Bill 1210 (Delegate Tavior. *et al.*)

Environmental Matters

Department of Health and Mental Hygiene - Health Maintenance Organization
(HMO) Quality Assurance Unit - Quality Assurance Medical Director

This bill establishes an HMO Quality Assurance Unit within the Department of Health and Mental Hygiene (DHMH).

Fiscal Summary

State Effect: Indeterminate increase in general fund revenues from the bill's penalty provision. No effect on expenditures.

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Bill Summary: The Secretary of DHMH will appoint a Quality Assurance Medical Director who (1) is a licensed physician; (2) is board certified in at least one specialty; (3) has experience in primary care and administrative medicine; and (4) has broad knowledge of HMO and managed care organizations. The Secretary may remove the medical director for cause. The medical director and any staff the director employs may receive compensation in accordance with the State budget. The medical director must determine whether an HMO meets quality standards established by law and must make recommendations for any required corrective changes. If an HMO does not meet these quality standards, the Secretary may suspend, revoke, or refuse to renew the HMO's certificate of authority or take any other appropriate action, including imposing a fine of up to \$125,000. The Secretary may also issue an administrative order that requires the HMO to cease inappropriate conduct or

provide any service that has been improperly denied. An HMO may appeal an administrative order through DHMH and any other appeal process allowed by law. If the Secretary issues an order or imposes a penalty on an HMO, the Secretary must provide immediate written notice to the Insurance Commissioner of the actions taken by the Secretary.

Background: The Licensing and Certification Division within DHMH currently conducts external reviews of HMO health care services. The division had been conducting these reviews once every three years, and these reviews were investigations of quality of care complaints only. Chapter 116 of 1998, however, requires the division to perform annual reviews of HMOs. The external reviews must consist of review and evaluation of: (1) an HMO's internal peer review system and reports; (2) an HMO's program plan to determine if it is adequate and being followed; (3) the professional standards and practices of an HMO in every area of services provided; (4) the grievances relating specifically to the delivery of medical care including their final disposition; (5) the physical facilities and equipment; and (6) a statistically representative sample of member records. The quality of care standards must include: (1) specific enrollee access to physician provisions, including timeliness of treatment; (2) diagnostic evaluation or treatment standards and continuing medical management; and (3) enrollee notification on printed directories of the address, telephone number, and fax number of the State agency that enrollees can call to discuss quality of care issues, complaints, and the resolution of billing disputes.

Medicaid currently contracts with Delmarva Health Plan to conduct a similar review of Medicaid managed care organizations. The four-year contract for these services costs \$3.2 million.

As a result of last year's legislation, the division's fiscal 2000 appropriation includes \$150,800 for the cost of three positions (one physician administrator, one health facility survey nurse, and one administrative assistant).

State Effect: This bill expands last year's legislation to require the Quality of Care Unit to *enforce* all quality of care requirements established in law or regulations and to *investigate* quality of care complaints referred by the Maryland Insurance Administration (MIA). DHMH advises that the three budgeted positions are adequate to meet the bill's requirements. Consequently, there is no fiscal impact on DHMH as a result of this bill.

The bill also allows DHMH to impose a fine of up to \$125,000 on an HMO. Any fines collected will go to the general fund. The number and amount of any fines cannot be reliably estimated at this time.

Information Source(s): Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

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Analysis by: Susan John

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510