SB 250

Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 250 (Senator Dorman)
Finance

Health Insurance - Retroactive Denial of Reimbursement - Improper Coding

This bill defines "code," as it relates to the retroactive denial of reimbursement. A carrier may not retroactively deny a claim because of improper coding unless the carrier has provided sufficient information regarding coding guidelines to the health care provider at least 30 days prior to the date services were rendered. Information submitted to the carrier may be considered improper coding if it uses codes that do not conform to the coding guidelines used by the carrier or does not otherwise conform with the contractual obligations of the health care provider to the carrier.

This bill applies to retroactive denials issued on or after January 1, 2000, regardless of when service was rendered.

Fiscal Summary

State Effect: Expenditures for the State Employee Health Benefits Plan may increase by an indeterminate minimal amount. General fund revenues may increase by an indeterminate minimal amount.

Local Effect: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate minimal amount if carriers increase their premiums as a result of this bill.

Small Business Effect: Potential minimal. Health insurance costs for small businesses and self-employed persons may increase if carriers raise premiums as a result of this bill.

Fiscal Analysis

State Effect: Under current law, if a carrier wants to retroactively deny reimbursement to a health care provider, for reasons other than fraud or improper coding, the carrier must do so within six months of paying the claim (within 18 months for Medicaid or Medicare claims). Information may be considered improperly coded if it does not conform to either the American Medical Association's or American Dental Association's adopted codes or another applicable code under a carrier's uniform coding scheme. Consequently, the bill limits a carrier's ability to change codes or claim improper coding as a means of bypassing the six-month time frame on retroactive denials. It is unknown if the State Employee Health Benefits Plan realizes any savings from its carriers engaging in this practice. To the extent carrier expenditures increase for claims it could formerly deny, carriers may pass the increased costs on to the State as increased premiums. Any increase is expected to be minimal.

General fund revenues may increase by an indeterminate minimal amount as a result of the State's 2% insurance premium tax on increased premiums. The State's premium tax is only applicable to "for-profit" insurance carriers.

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

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