

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 383 (Senator Dorman)

Finance

**Health Insurance - Retroactive Denial of Reimbursement -
Coordination of Benefits**

This bill prohibits insurers, nonprofit health service plans, HMOs, or dental plan organizations (carriers) from retroactively denying payment to a health care provider on the basis of a nonduplication or coordination of coverage provision with another carrier.

Fiscal Summary

State Effect: Special and general fund revenues could increase by indeterminate minimal amounts in FY 2000. Expenditures for the State Employee Health Benefits Plan may increase by an indeterminate but potentially significant amount.

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

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

Fiscal Analysis

State Revenues: Special fund revenues could increase by an indeterminate minimal amount in fiscal 2000 because carriers that have duplication or coordination of coverage clauses in their contracts will have to modify them, subjecting them to rate and form filing fees with the Maryland Insurance Administration (MIA). Each affected carrier, including HMOs, that revises its rates and amends its insurance policy must submit the proposed change(s) to MIA and pay a \$125 rate and form filing fee. The number of carriers who will file new rates and

forms as a result of the bill's requirements cannot be reliably estimated at this time because carriers often combine several rate and policy amendments at one time when filing with MIA.

If carriers raise their premiums as a result of the bill's requirements, 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 applicable only to "for-profit" insurance carriers.

State Expenditures: Expenditures for the State Employee Health Benefits Plan's self-insured plans may increase by an indeterminate but potentially significant amount because of the reduced ability to recoup incorrectly paid claims. The bill would prohibit the State from recovering payments made to a health care provider when it is subsequently learned that another carrier is liable for the payments. Coordination of benefits provisions reduce State health benefit costs approximately 3% - 5%. It is unknown how much of this savings is derived from retroactive denials. CareFirst Blue Cross Blue Shield estimates that retroactive denials based on coordination of benefits provisions account for 1% of all CareFirst claims. For illustrative purposes only, if the bill's provisions affect 1% of the State's claims, expenditures could increase by \$4.8 million for fiscal 2000, based on the State's estimated claims and premium payments of \$485,391,500.

Information Source(s): Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), CareFirst Blue Cross Blue Shield, Department of Legislative Services

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