

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE  
Revised

House Bill 345 (Delegate Donoghue)

Economic Matters

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**Health Insurance - Coverage Determinations and Retroactive Adverse Decisions**

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This bill repeals two circumstances in which a private review agent may retrospectively render an adverse decision regarding preauthorized or approved health care services. A private review agent may no longer retrospectively render an adverse decision when: (1) a patient was not insured by or an enrollee of the entity the private review agent is affiliated with; or (2) except for determinations of appropriateness or medical necessity, the services would not be covered in whole or in part under the policy or contract.

In addition, the bill requires group health insurance to contain a provision requiring employers, labor unions, or other entities to continue to pay an employee's premium to the insurer, nonprofit health service plan, or HMO (carrier) until the employer or other entity notifies the carrier of the termination of the employee's coverage under the employer's or entity's health benefit plan.

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**Fiscal Summary**

**State Effect:** Expenditures for the State Employee Health Benefits Plan could 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 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.

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**Fiscal Analysis**

**State Revenues:** If carriers increase premiums as a result of this bill, general fund revenues could increase by an indeterminate minimal amount as a result of the State's 2% insurance premium tax. The State's premium tax is applicable only to "for-profit" insurance carriers.

**State Expenditures:** The State Employee Health Benefits Plan currently has 12 different medical plans administered by seven different carriers. While CareFirst Blue Cross Blue Shield estimates that the bill's requirements could increase premium costs by 2%, it was not able to provide any information or data on which the estimate was based. It is also unknown at this time how other carriers' rates may be affected. The Department of Legislative Services believes that premium expenditures for the State Employee Health Benefits Plan would not increase by the 2% estimated by CareFirst, but instead could increase by an indeterminate minimal amount. The bill addresses situations where care has been preauthorized or approved by a carrier before or at the time services were rendered, giving the carrier the opportunity to confirm the patient is covered under the carrier's plan. The incidences should be minimal where a carrier cannot confirm the patient is covered at the time services are rendered.

The bill also requires the State Employee Health Benefits Plan to pay premiums until the carrier is notified of an employee's termination under the State plan. Under current practice, the State is notifying carriers by electronic tape within two pay periods (one month) of the employee's termination. The majority of the notifications are given to carriers within two weeks, and the number of occasions where ex-employees are mistakenly covered by carriers is minimal. The cost of premiums the State may have to pay is unknown at this time but it is assumed to be minimal.

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**Information Source(s):** Maryland Insurance Administration, CareFirst Blue Cross Blue Shield, Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 1999  
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