SB 506

Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 506 (Senator Van Hollen, *et al.*)
Finance

Patient Protection Act

This bill requires an insurer, nonprofit health service plan, HMO, and dental plan organization (carrier) to reimburse a health care provider in the amount specified in the reimbursement schedule applicable to the health care provider and to provide health care providers with copies of the reimbursement schedule.

This bill takes effect January 1, 2000.

Fiscal Summary

State Effect: Special fund expenditures for the Maryland Insurance Administration would increase by $22,900 in FY 2000. Future year estimates reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
SF Revenues	$0	$0	$0	$0	$0
SF Expenditures	$22,900	$46,300	$47,800	$47,200	$47,700
Net Effect	($22,900)	($46,300)	($47,800)	($47,200)	($47,700)

Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect

Local Effect: None.

Small Business Effect: Minimal. Revenues would increase for health care providers that are small businesses or self-employed individuals because carriers would have to reimburse the providers for services rendered at the amount agreed upon in the reimbursement schedules.

Fiscal Analysis

Bill Summary: The bill requires carriers to adopt reimbursement schedules, which carriers must adhere to when paying health care providers. The bill also prohibits a carrier from adopting a reimbursement schedule that reduces the amount of reimbursement to a health care provider based on the number or cost of medical services proposed or recommended by the health care provider. A carrier may provide bonuses or other incentive-based compensation to a health care provider only if the bonus does not deter the delivery of medically-appropriate care to an enrollee. In addition, bonuses cannot be based on the amount of health care services provided to an enrollee, unless the health care services are preventative health care services.

The bill also requires the carrier to provide a copy of the carrier's reimbursement schedule: (1) with any new contract offering to health care practitioners who do not currently have a contract with the carrier; (2) once a year on request of a health care practitioner with whom the carrier has a contract; and (3) 90 days before any proposed change in the reimbursement schedule or in the methodology used to determine bonuses. The bill also permits the Maryland Insurance Administration to adopt any necessary regulations to carry out the bill's requirements.

State Effect: The State Employee Health Benefits Plan would not be affected because the bill is not expected to increase insurance premiums.

The bill is not clear on the role the Maryland Insurance Administration (MIA) is to take in the implementation and enforcement of the bill's requirements. It is assumed that the bill requires MIA to review all provider contracts to ensure that reimbursement schedules are included. MIA currently reviews all HMO contracts with providers, and this bill would extend MIA's role to include the review of carrier contracts with preferred providers and participating providers, where a negotiated reimbursement rate is a common term of a provider contract. It is unknown at this time how many additional contracts MIA must review, but MIA estimates the number to be several hundred. Special fund expenditures thus could increase by $22,900 in fiscal 2000, which reflects the cost of hiring one insurance analyst to handle the increase in carrier contract review and accounts for the bill's January 1, 2000 effective date. It includes salary and fringe benefits. Future year expenditures reflect annualization and inflation.

Consumer complaints are expected to increase as a result of the bill's requirements. Currently, health care providers may only file a complaint with MIA about not being paid by a carrier. The bill allows a provider to file a complaint if a carrier does not pay the provider according to the reimbursement schedule. It is unknown how many carriers currently attempt to reimburse providers at rates below the rates set on reimbursement schedules; however, it is assumed that most carriers will comply with the bill's requirements and any increase in complaints will be minimal. MIA currently has a consumer complaint division, and can handle additional complaints with existing resources.

MIA advises that it would require five additional positions to carry out the bill's requirements, including one insurance analyst, one market conduct examiner, two insurance investigators and one MIA associate, and estimates expenditures to be $174,318 for fiscal 2000. This figure includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. MIA indicates that these additional positions are necessary to handle the large increase in complaints resulting from the bill's requirements, which would require additional personnel to handle complaints and additional hearings. The Department of Legislative Services assumes that most carriers will comply with the bill's requirements and any increase in the number of complaints will be minimal.

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

Fiscal Note History: First Reader - March 1, 1999
dmm/jr

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