

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 139 (Chairman, Economic Matters Committee)
(Departmental - Maryland Insurance Administration)

Economic Matters

Health Insurance - Penalties and Unfair Claims Settlement Practices

This departmental bill authorizes the Insurance Commissioner to impose fines on an HMO and require an HMO to pay restitution in certain circumstances. The bill increases the maximum fine the Commissioner may impose on an HMO from \$5,000 to \$125,000 if an HMO commits a prohibited practice. In addition, the bill provides that an insurer's or nonprofit health service plan's arbitrary or capricious refusal to pay claims, when committed with the frequency to indicate a general business practice, is an unfair claim settlement practice.

This bill is effective June 1, 1999. It shall be construed only prospectively and may not be applied or interpreted to have any effect on any order issued before the effective date of this bill.

Fiscal Summary

State Effect: General fund revenues could increase by an indeterminate minimal amount. Expenditures would not be affected.

Local Effect: No effect.

Small Business Effect: The Maryland Insurance Administration (MIA) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Fiscal Analysis

State Revenues: General fund revenues could increase by an indeterminate amount depending on the number of penalties and fines imposed on carriers. Actual fines and costs imposed and collected in fiscal 1998 totaled \$2,749,553. Estimated fines and costs imposed and collected in fiscal 1999 and 2000 are each estimated at \$1,020,000. At this time, the fiscal impact of the increase in allowable fines pursuant to this bill cannot be reliably estimated because the number and types of violations that generated these revenues is not readily available. In addition, the large increase in allowable fines (from \$5,000 to \$125,000) may have a deterrent effect and reduce the number of future violations.

The bill also adds another category, an insurer's or nonprofit health service plan's arbitrary and capricious refusal to pay a claim, as an unfair claims settlement practice. Depending on the number of violations of this provision, MIA may impose more fines on carriers. There are insufficient data at this time to reliably estimate the number of carriers who would be fined for this offense.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 1, 1999

dmm\jr

Analysis by: Susan John

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