Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 789 (Senators Hollinger and Bromwell)
Finance

Department of Health and Mental Hygiene - Health Maintenance Organization (HMO) Quality Assurance Unit - Quality Assurance Medical Director

This bill establishes an HMO Quality Assurance Unit within the Department of Health and Mental Hygiene (DHMH).

Fiscal Summary

State Effect: Indeterminate increase in general fund revenues. No effect on expenditures.

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Bill Summary: The Secretary of DHMH will appoint a Quality Assurance Medical Director who (1) is a licensed physician; (2) is board certified in at least one specialty; (3) has experience in primary care and administrative medicine; and (4) has broad knowledge of HMO and managed care organizations. The medical director and any staff may receive compensation in accordance with the State budget. The medical director must determine whether an HMO meets quality standards established by law and must make recommendations to the Secretary for any required corrective changes. If an HMO does not meet these quality standards, the Secretary may issue an order requiring an HMO to cease inappropriate conduct or provide a required service, or impose a fine of up to $125,000. An HMO may appeal the Secretary's order through DHMH and any other appeal process allowed by law.

Background: The Licensing and Certification Division within DHMH currently conducts external reviews of HMO health care services. The division had been conducting these reviews once every three years, and these reviews were investigations of quality of care complaints only. Chapter 116 of 1998, however, requires the division to perform annual reviews of HMOs. The external reviews must consist of review and evaluation of: (1) an HMO's internal peer review system and reports; (2) an HMO's program plan to determine if it is adequate and being followed; (3) the professional standards and practices of an HMO in every area of services provided; (4) the grievances relating specifically to the delivery of medical care including their final disposition; (5) the physical facilities and equipment; and (6) a statistically representative sample of member records. The quality of care standards must include: (1) specific enrollee access to physician provisions, including timeliness of treatment; (2) diagnostic evaluation or treatment standards and continuing medical management; and (3) enrollee notification on printed directories of the address, telephone number, and fax number of the State agency that enrollees can call to discuss quality of care issues, complaints, and the resolution of billing disputes.

Medicaid currently contracts with Delmarva Health Plan to conduct a similar review of Medicaid managed care organizations. The four-year contract for these services costs $3.2 million.

As a result of last year's legislation, the division's fiscal 2000 budget allowance includes $150,800 for the cost of three positions (one physician administrator, one health facility survey nurse, and one administrative assistant).

State Effect: This bill expands last year's legislation to require the Quality of Care Unit to *enforce* all quality of care requirements established in law or regulations and to *investigate* quality of care complaints referred by the Maryland Insurance Administration (MIA). DHMH advises that the three budgeted positions are adequate to meet the bill's requirements. Consequently, there is no fiscal impact on DHMH as a result of this bill.

The bill also allows DHMH to impose a fine of up to $125,000 on an HMO. Any fines collected will go to the general fund. The number and amount of any fines cannot be reliably estimated at this time.

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

Fiscal Note History: First Reader - March 17, 1999

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