Department of Legislative Services

Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 275 (Senator Dorman)
Finance

Health Insurance - Preauthorized Health Care Services - Denials of Reimbursement by Carriers

This bill prohibits an insurer, nonprofit health service plan, HMO, or dental plan organization (carrier) from denying reimbursement to a health care provider for the preauthorized or approved services unless: (1) fraudulent information was submitted to the carrier regarding services; (2) critical information was omitted such that the carrier's determination would have been different had the information been provided; (3) the health care provider did not substantially follow the planned course of treatment that the carrier approved; or (4) on the date the service was delivered: (i) the patient was not covered by the carrier; (ii) the carrier maintained an automated eligibility verification system to which the contracting provider had access; and (iii) the verification system indicated that the patient was not covered by the carrier.

The bill takes effect June 1, 2000.

Fiscal Summary

State Effect: Expenditures for the State Employee Health Benefits Plan may increase by a minimal amount. Minimal general fund revenue increase from the State's 2% insurance premium tax on for-profit carriers. Minimal special fund revenue increase for the Maryland Insurance Administration from the $125 rate and form filing fee.

Local Effect: Expenditures for local jurisdiction employee health benefits could increase if carriers increase their premiums as a result of this bill. Any increase is assumed to be minimal.

Small Business Effect: Potential minimal. Health insurance costs for small businesses may increase if carriers raise premiums as a result of this bill.

Analysis

Current Law: Carriers are not prohibited from denying payment to a health care provider because a patient was not covered at the time preauthorized or approved services were rendered.

Background: Chapter 554 of 1999 (SB 350) was enacted to address health care provider complaints that a carrier could deny payment for preauthorized or approved services rendered to a patient by claiming the patient was not covered under the carrier's plan at the time of service. This situation arose when a patient was covered when the carrier preauthorized services, but, for various reasons, had been dropped from coverage before services were rendered by the health care provider. To prevent carriers from denying payment to health care providers, Chapter 554 puts a carrier on notice about a patient's coverage status by requiring an employer to continue to pay the premium for an employee until notice of termination of coverage has been received by the carrier. In addition, Chapter 554 prohibits a private review agent (PRA) from rendering a retroactive adverse decision regarding preauthorized or approved services delivered to a patient.

Upon further analysis of Chapter 554, it is apparent that the term "adverse decision" has a specific meaning and only covers situations where payment is denied on the basis of medical necessity. "Adverse decision" does not apply to situations involving a patient's coverage status. While PRAs are prohibited from rendering an adverse decision regarding preauthorized or approved services, a carrier is not prohibited from denying payment. This bill affirmatively prohibits a carrier from denying payment to a health care provider on the basis of a patient's coverage status, except in situations involving fraud or substantial deviation from the planned course of treatment.

State Fiscal Effect: The bill will limit the situations in which a carrier may deny payment to a health care provider, thus increasing carrier costs. To the extent that carrier expenditures increase for claims it could formerly deny, a carrier may pass the increased costs on to the State as increased premiums. Any increase is expected to be minimal.

Additional Information

Prior Introductions: Chapter 554 of 1999 (SB 350) repealed two circumstances in which a private review agent may retroactively deny coverage for a service.
Cross File: HB 304 (Delegate Donoghue) - Economic Matters.

Information Source(s): Department of Health and Mental Hygiene (Medicaid), "Life and

Health Bulletin 99-20," Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

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