SB 486

Department of Legislative Services

Maryland General Assembly
2000 Session

FISCAL NOTE

Senate Bill 486 (Senator Della)
Finance

Health Insurance - Carriers - Records of Claims

This bill requires a health insurer, nonprofit health service plan, HMO, or dental plan organization (carrier) to maintain records on the submission and payment of claims. It also requires a carrier to have its claims records audited annually by a private auditing firm. A carrier must submit an annual report to the Insurance Commissioner that contains the audit record and any other information the Commissioner may require. A carrier must also submit a detailed quarterly report of claims records to the Commissioner. The Commissioner may require the carrier to implement a plan of remedial action, require the carrier's claims processing procedures to be monitored by a private auditing firm, or require an immediate audit of the carrier. Carrier financial examinations and market conduct studies performed by the Commissioner must include an examination of the carrier's record keeping and auditing. The Commissioner may use the claims records and audit requirements to determine whether the carrier has committed an unfair claim settlement practice and may: (1) subject the carrier to a criminal penalty fine not exceeding $100,000; (2) deny, suspend, or revoke a carrier's certificate of authority; or (3) issue a cease and desist order.

Fiscal Summary

State Effect: $145,800 special fund expenditure increase for the Maryland Insurance Administration (MIA) in FY 2001. Future year expenditures reflect annualization and inflation. Potential expenditure increase for the State Employee Health Benefits Plan. Potential minimal general fund revenue increase from the penalty provisions. No effect on Medicaid.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	-	-	-	-	-
SF Expenditures	$145,800	$181,400	$190,000	$199,200	$208,700
Net Effect	($145,800)	($181,400)	($190,000)	($199,200)	($208,700)

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

Local Effect: Expenditures for local jurisdiction employee health benefits could increase if carriers raise their premiums as a result of the bill's requirements. Revenues would not be affected.

Small Business Effect: Potentially meaningful. Health insurance costs for small businesses may increase if carriers raise premiums as a result of the bill. In addition, auditing firms that are considered small businesses may increase their income if they are hired to conduct carrier claims audits.

Analysis

Bill Summary: The bill requires a carrier to maintain a record of the number of claims, by category: (1) that are paid within 30 days after their initial submission; (2) that are denied because they are for a noncovered service or because the service was provided by a health care provider ineligible for reimbursement; (3) that are denied because of improper coding; (4) that are denied because of incorrect enrollment information; (5) that are not paid within 30 days after their initial submission because the carrier required additional information; (6) that are paid after receipt of additional information; (7) that are denied after receipt of additional information; (8) on which interest payments have been made and the aggregate amount of interest paid; and (9) that are denied because the carrier believes the claim is fraudulent.

The record keeping required by the bill must be in a form required by the Commissioner.

Current Law: Carriers are subject to unfair claims settlement practice laws, but these laws do not require specified record keeping or auditing standards.

State Expenditures: Special fund expenditures for the MIA could increase by $145,815 for fiscal 2001, which accounts for the bill's October 1, 2000, effective date. This estimate reflects the cost of hiring two MIA technician I positions and two MIA technician II positions to draft and adopt regulations to specify the form on which claims records must be kept, receive and review annual and quarterly reports, and expand financial examinations and market conduct examinations to include the bill's requirements. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$133,140
Operating Expenses	12,675
Total FY 2001 Expenditures	**$145,815**

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Expenditures for the State Employee Health Benefits Plan may increase by a minimal amount. Carriers currently have certain claims records and auditing procedures in place, but not to the extent the bill requires. If carriers incur additional costs as a result of the bill's requirements, carriers could pass these costs on to the State plan as increased premiums. Any increase is expected to be minimal.

Additional Information

Prior Introductions: None.

Cross File: HB 530 (Delegate McHale, *et al.*) - Economic Matters.

Information Source(s): Maryland Insurance Administration, Department of Health and Mental Hygiene (Health Care Commission, Office of Health Care Quality), Department of Legislative Services

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