HB 1358

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 1358 (Delegate Morhaim)
Economic Matters and Environmental Matters

Maryland Medical Assistance Program - Nonprofit Health Maintenance Organizations Required

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This bill requires each Medicaid managed care organization (MCO) that is a certified HMO to be organized as a not-for-profit corporation, unless the Secretary of Health and Mental Hygiene determines that the exclusion of for-profit HMOs from the Medicaid program will have an adverse effect on the cost or availability of services under the program.

The bill takes effect January 1, 2003.

Fiscal Summary

State Effect: The bill's provisions could be handled with existing budgeted resources. General fund revenues from corporate income taxes could decrease if any for-profit HMOs convert to not-for-profit status as a result of the bill's requirements.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A Medicaid MCO may be either a for-profit or not-for-profit entity.

Background: There are eight MCOs approved to participate in the HealthChoice program: (1) United Healthcare of the Mid-Atlantic; (2) FreeState (CareFirst BlueCross BlueShield of MD); (3) Helix; (4) JAI Medical; (5) Maryland Physicians Care; (6)

PrimeHealth Corporation; (7) Priority Partners; and (8) AMERICAID. All eight are organized as for-profit corporations. Of the approximately 490,000 enrollees currently enrolled in the HealthChoice program, 179,000 of them are enrolled in the three for-profit certified HMOs that participate in the program (FreeState, United Healthcare, and PrimeHealth). CareFirst has announced its intention to terminate FreeState's participation in HealthChoice as of April 1, 2001. In addition, the Maryland Insurance Commissioner recently announced that PrimeHealth Corporation, which has been in receivership since October 1998, will be sold or liquidated by May 1, 2001.

State Fiscal Effect: The bill's provisions do not take effect until January 1, 2003. Based on current MCO participation, the bill would apply only to United HealthCare, which is the one remaining certified HMO functioning as an MCO. The Department of Health and Mental Hygiene (DHMH) has the authority to determine whether requiring certified HMOs to be not-for-profit would adversely impact on the Medicaid program. If DHMH determines the bill's requirements would adversely impact on Medicaid, no action would be taken and Medicaid expenditures would not be affected. If DHMH determines the bill's requirements would not adversely impact on Medicaid, then DHMH could incur additional computer programming costs to switch affected enrollees to other MCOs. Any additional costs are assumed to be minimal and could be handled with existing Medicaid resources.

General fund revenues from corporate income taxes could decrease if any for-profit HMOs convert to not-for-profit status as a result of the bill's requirements. Currently, the bill would affect only United HealthCare. If DHMH determines that the exclusion of for-profit certified HMOs would not adversely impact the Medicaid program, United HealthCare may choose to withdraw its participation as an MCO or it may choose to convert to not-for-profit status.

Additional Information

Prior Introductions: A similar bill, HB 496, was introduced in the 2000 session. It was not reported from the House Environmental Matters Committee.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid), Department of Legislative Services

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