HB 1112

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 1112 (Delegate Barve)
Economic Matters

Health Insurance - Managed Behavioral Health Care Organizations - Expense and Loss Ratios and Reports

This bill specifies certain expense and loss ratios for managed behavioral health care organizations (MBHCOs) and provides for certain reporting requirements for MBHCOs.

Fiscal Summary

State Effect: Maryland Insurance Administration (MIA) special fund expenditures could increase by $76,400 in FY 2003. Future year expenditures reflect annualization and inflation. The civil penalty provisions are not expected to significantly affect State finances or operations.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	-	-	-	-	-
SF Expenditure	76,400	95,300	99,800	104,600	122,800
Net Effect	($76,400)	($95,300)	($99,800)	($104,600)	($122,800)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill extends the definition of "managed behavioral health care organization" to include a private review agent, as well as any entity that contracts directly with an employer to provide or administer behavioral health care services to employees on behalf of the employer.

An MBHCO or other carrier that provides behavioral health care services must submit an annual report to the Insurance Commissioner that contains information on: (1) total revenue, total premium and related revenue, total direct behavioral health care expenses, behavioral health care administrative expenses, and profit or loss, expressed in dollars; and (2) behavioral health care loss ratio, expressed as a percentage. The carrier or MBHCO must conduct an examination or an audit at the claims level to ensure that an annual report submitted is accurate. A carrier or MBHCO that fails to submit the information required in a timely manner is subject to a $500 penalty for each day after March 1 that the information is not submitted.

A carrier or MBHCO must provide the information contained in the report to enrollees, prospective enrollees, and the public in clear, readable, and concise form. In addition, the Insurance Commissioner must make all of the information provided in the reports publicly available.

Current Law: A carrier that owns or contracts with an MBHCO must distribute certain information to its enrollees, at the time of enrollment, including: (1) the specific behavioral health care services covered; (2) the enrollee's responsibilities for obtaining behavioral health care services; (3) the reimbursement methodology that the carrier and MBHCO use to reimburse providers for behavioral health care services; and (4) the procedure that an enrollee must utilize when attempting to obtain behavioral health care services out-of-network. On or before March 1, each carrier that provides behavioral health care services through a company owned by the carrier or through a contract with an MBHCO must file with the Insurance Commissioner the mental health expense ratio for the provision of behavioral health care services to enrollees.

A health insurer, nonprofit health service plan, and HMO (carrier) must submit an annual report by March 1 to the Insurance Commissioner that includes information on: (1) premiums written; (2) premiums earned; (3) total incurred claims; (4) total incurred expenses; (5) loss ratio; and (6) expense ratio. A carrier that fails to submit the annual report as required is subject to a $500 penalty for each day after March 1 that the information is not submitted.

Background: Chapter 579 of 1999 established the Task Force to Develop Performance Quality Measures for Managed Behavioral Health Care Organizations. The task force was charged with the development of measures of quality for the provision of behavioral health care services to members or enrollees of MBHCOs. In 2001, the task force issued its final recommendations, and among those recommendations was the integration of the behavioral health reporting into the Maryland Health Care Commission's consumer reports for commercial HMOs.

According to the task force report, as of 1998, 72%, or 162.2 million of the estimated 225 million Americans with health insurance, were enrolled in some type of MBHCO program. Approximately 14.3 million additional Americans had behavioral health benefits provided through and managed internally by HMOs so that the total insured population with a managed behavioral health care component was 78%.

State Fiscal Effect: MIA special fund expenditures could increase by an estimated $76,403 in fiscal 2003, which accounts for the bill's October 1, 2002 effective date. This estimate reflects the cost of hiring two financial analysts to: (1) review and analyze annual carrier and MBHCO report information; and (2) issue an annual public report on each carrier's and MBHCOs' financial status and loss ratios. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$70,208
Operating Expenses	6,195
Total FY 2003 State Expenditures	**$76,403**

Future year expenditures reflect: (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: SB 548 (Senator Van Hollen) is listed as a cross file, but is different.

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

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