

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 805
Economic Matters

(Delegate Donoghue, *et al.*)

Finance

Reimbursement of Health Care Providers

This bill extends the termination date from June 30, 2002 to June 30, 2005 of Chapter 275 of 2000 and Chapter 423 of 2001, which specify certain HMO reimbursement rates for noncontracting providers who provide services to HMO enrollees.

By January 1, 2003, the Board of Nursing, in consultation with HMO representatives, must report to the Senate Finance and House Environmental Matters committees on whether HMOs should individually credential nurse practitioners and designate a nurse practitioner as a primary care provider.

The bill takes effect June 1, 2002.

Fiscal Summary

State Effect: Department of Health and Mental Hygiene (DHMH) special fund expenditures and revenues could each increase by \$200,000 in FY 2003 only.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: In addition, the bill requires the Maryland Health Care Commission (MHCC) and the Health Services Cost Review Commission (HSCRC) to jointly study and make recommendations to the House Economic Matters and Senate Finance

committees regarding health care provider reimbursements by commercial insurers, including HMOs, and self-pay patients in Maryland. The commissions must present their findings and recommendations to the respective committees by January 1, 2004.

Current Law: An HMO must pay a claim for a covered service rendered to an enrollee by a noncontracting trauma physician for trauma care at the greater of: (1) 140% of the rate paid by the Medicare program; or (2) the rate as of January 1, 2001 that the HMO paid in the same geographic area, for the same covered service, to a similarly licensed provider.

An HMO must pay a claim for a covered service rendered to an enrollee by any other noncontracting health care provider at the greater of: (1) 125% of the rate the HMO pays in the same geographic area, for the same covered service, to a similarly licensed provider under written contract with the HMO; or (2) the rate as of January 1, 2000 that the HMO paid in the same geographic area, for the same covered service, to a similarly licensed provider not under written contract with the HMO. These provisions terminate June 30, 2002.

Background: Chapter 275 of 2000 changed HMO reimbursement rates for noncontracting providers from the usual and customary rate (UCR) to the current reimbursement rates, which are based on Medicare rates and similar rates paid by an HMO to similar providers. Chapter 423 of 2001 provided an exception to the reimbursement methodology adopted in Chapter 275 of 2000, requiring HMOs to reimburse trauma care providers at a higher rate.

State Expenditures: DHMH special fund expenditures could increase by an estimated \$200,000 in fiscal 2003 to conduct a study regarding health care provider reimbursements by commercial insurers and self-pay patients in the State. MHCC and HSCRC would jointly procure a contractor to conduct the study that must develop recommendations on the following issues: (1) balance billing of HMO subscribers for covered services; (2) a provider rate system with maximum and minimum reimbursement levels; (3) expanding the hospital all-payor system to include hospital-based and university-based physicians; (4) establishing an uncompensated care fund to subsidize emergency room, trauma, and other providers with high levels of uncompensated care; (5) the prevalence of health care provider reimbursement methodologies used by commercial insurance carriers, including HMOs, that are based on provider licensure; and (6) the level of reimbursement provided by commercial payors as a percentage of provider costs compared to reimbursement provided by public payors as a percentage of provider costs. The report on nurse practitioners could be handled with existing Board of Nursing resources.

State Revenues: Special fund revenues would increase by \$200,000 in fiscal 2003 only. MHCC and HSCRC are specially funded through fees imposed on hospitals, payors, and

providers. As a result of the increase in expenditures, MHCC and HSCRC would raise provider fees by an amount to exactly offset the increase in expenditures.

Additional Information

Prior Introductions: None.

Cross File: SB 466 (Senator Astle) – Finance.

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

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Analysis by: Susan D. John

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510