

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**

Senate Bill 548  
 Finance

(Senator Van Hollen)

**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 \$157,300 in FY 2003. Future year expenditures reflect annualization and inflation. Additional HMO report card requirements could be handled with existing Maryland Health Care Commission resources. 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	157,300	196,700	205,900	215,700	226,200
Net Effect	(\$157,300)	(\$196,700)	(\$205,900)	(\$215,700)	(\$226,200)

*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, behavioral health care expense ratio, behavioral health care administrative ratio, and behavioral health care profit/loss ratio, expressed as percentages. The Insurance Commissioner may 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. The Insurance Commissioner must issue public reports with information contained in the annual reports, as well as information, including expense and loss ratios, on each contract or agreement a carrier or MBHCO has with providers for the provision of behavioral health care services. In addition, the Commissioner must forward information on HMO expense and loss ratios for all provided services, including behavioral health services, to the Maryland Health Care Commission for inclusion in its annual HMO report card.

The Commissioner may require a carrier or MBHCO to file new rates if the loss ratio for the carrier or MBHCO is less than 75% for a group health benefit plan or less than 65% for a health benefit plan that is issued to individuals.

A carrier that owns or contracts with an MBHCO must include information on behavioral health care providers in the carrier's provider panel list.

**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.

**State Fiscal Effect:** MIA special fund expenditures could increase by an estimated \$157,345 in fiscal 2003, which accounts for the bill's October 1, 2002 effective date. This estimate reflects the cost of hiring two financial analysts and two examiners to: (1) review and analyze annual carrier and MBHCO report information; (2) issue an annual public report on MBHCOs' financial status, expense and loss ratios, and provider contracts; and (3) conduct examinations and audits of carriers and MBHCOs. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$144,655
Operating Expenses	<u>12,690</u>
<b>Total FY 2003 State Expenditures</b>	<b>\$157,345</b>

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.

Including information on HMO and MBHCO expense and loss ratios in the annual HMO report card could be handled with existing Maryland Health Care Commission budgeted resources.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1112 (Delegate Barve) – Economic Matters.

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

**Fiscal Note History:** First Reader - February 11, 2002  
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