

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 798
Finance

(Senator Van Hollen)

Health Insurance - Reimbursement of Health Care Practitioners

This bill prohibits a health insurer, nonprofit health service plan, HMO, or dental plan organization (carrier) from reducing the sum or rate negotiated in the carrier's provider contract with a health care practitioner based on reimbursement of the health care practitioner by another carrier. If a carrier's reimbursement, when added to the total reimbursement from all other carriers, exceeds the health care practitioner's charge, the carrier may reduce its reimbursement to an amount equal to the practitioner's charge less the total reimbursement by all other carriers.

Fiscal Summary

State Effect: Potential minimal expenditure increase for the State Employee Health Benefits Plan beginning in FY 2003. Minimal special fund revenue increase in FY 2003 from the Maryland Insurance Administration's (MIA) \$125 rate and form filing fee. Minimal general fund revenue increase from the State's 2% premium tax in FY 2003.

Local Effect: To the extent carriers increase premiums due to the bill's provisions, expenditures for local jurisdiction employee health benefits could increase by minimal amounts. Revenues would not be affected.

Small Business Effect: Potential minimal. Small business health insurance costs may increase if carriers raise their premiums as a result of this bill. Any increase is assumed to be minimal.

Analysis

Current Law: A carrier may not reimburse a health care practitioner in an amount less than the sum or rate negotiated in the carrier's provider contract with the health care practitioner.

Background: If an individual has two insurance policies, one policy is considered primary and one secondary. Typically, an individual has two policies if one is Medicare and the second is a Medicare supplemental policy, or if the individual is married and has individual coverage as well as coverage under the spouse's policy. A health care practitioner must first submit a claim to an individual's primary policy for reimbursement. If the individual's primary policy does not cover the entire claim, the health care practitioner may then submit the claim to the secondary policy. Many secondary insurers do not cover the entire balance submitted on a claim, because most policies state the secondary insurer will only pay up to its maximum allowance less any payment by the primary insurer. This bill would prohibit a secondary insurer from taking into account what the primary insurer has paid on a claim thereby maximizing the amount of a claim covered by insurance and minimizing the individual's out-of-pocket copayments.

State Fiscal Effect: To the extent carriers' costs increase due to the bill's provisions and carriers pass these costs on to the State Employee Health Benefits Plan, State plan expenditures could increase. Any increase is assumed to be minimal.

State plan expenditures assume a fund mix of 60% general funds, 20% federal funds, and 20% special funds; and 20% of expenditures are reimbursable through employee contributions.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 10, 2002
lc/jr

Analysis by: Susan D. John

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