Department of Legislative Services

Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 656 (Delegate Pendergrass, *et al.*)
Health and Government Operations Finance

Health Maintenance Organizations - Definition of Covered Service

This bill changes the definition of "covered service" for HMOs. Covered service is defined as a health care service included in the HMO's benefit package and rendered to an enrollee by: (1) a provider under contract with the HMO, when the service is obtained in accordance with the terms of the enrollee's benefit contract; or (2) a noncontracting provider when the service is obtained in accordance with the terms of the enrollee's benefit contract, obtained pursuant to a verbal or written referral, or preauthorized or otherwise approved by the HMO or a provider that contracts with the HMO.

The bill also clarifies that for trauma care rendered to a trauma patient in a trauma center by a trauma physician, an HMO may not require a referral or preauthorization for a service to be covered.

Fiscal Summary

State Effect: None. The bill pertains exclusively to private sector activities.

Local Effect: None.

Small Business Effect: Minimal. Small business health care providers that provide health care services to an HMO enrollee who did not first obtain a preauthorization or referral may balance-bill the enrollee for services rendered.

Analysis

Current Law: A covered service means a health care service included in the HMO's benefit package and rendered to an enrollee of the HMO by a health care provider, including a physician or hospital, not under written contract with the HMO.

Background: Prior to 2001, covered services included the preauthorization and referral requirements that this bill attempts to reinstate. Several bills have been passed by the General Assembly in the past few years that require HMOs to reimburse noncontracting trauma physicians at certain rates. In addition to specifying reimbursement rates for trauma physicians, Chapter 423 of 2001 changed the definition of covered services by repealing the referral or preauthorization requirements necessary for HMO reimbursement in order to clarify that services rendered by a trauma physician in a trauma center are deemed covered services, even if no referral or preauthorization was given. Due to the exigent nature of trauma services, preauthorization or referrals are not practical.

The unintended consequence of this repeal is to prohibit health care providers, other than trauma physicians, from balance-billing HMO enrollees who received covered services without a referral or preauthorization.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2003
mld/jr Revised - House Third Reader - March 22, 2003

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