HB 657

Department of Legislative Services

Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 657 (Delegate Pendergrass, *et al.*)
Health and Government Operations

Preferred Provider Organizations - Payments to Nonpreferred Providers - Emergency Services

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This bill requires a health insurer to pay to a nonpreferred provider for a covered emergency service provided to an insured or subscriber in a hospital emergency room 125% of the rate the insurer pays in the same geographic area, for the same covered service, to a similarly licensed preferred provider of the insurer.

Fiscal Summary

State Effect: Potential minimal expenditure increase for the State Employee and Retiree Health and Welfare Benefits Plan (State health plan), beginning in FY 2004. Minimal general fund revenue increase from the State's 2% insurance premium tax on for-profit carriers, beginning in FY 2004. Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from MIA's $125 rate and form filing fee in FY 2004.

Local Effect: Expenditures for local government employee health benefits could increase if carriers raise their premiums as a result of the bill's requirements. Any increase is expected to be minimal. Revenues would not be affected.

Small Business Effect: Potential minimal. Expenditures for small business employee health benefits could increase if carriers raise their premiums as a result of the bill's requirements.

Analysis

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. The 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.

Background: The provision of trauma services is costly both for trauma centers and trauma physicians, requiring specialized staffing, equipment, and resources and a willingness and ability to have surgeons and staff on-call and available 24 hours a day, 365 days a year. The adequacy of reimbursement for trauma services has been debated for several years. Unlike hospital charges, professional fees are not regulated in Maryland. Physicians may determine their own charges for services rendered and bill accordingly. The advent of managed care, however, has severely limited what physicians may realistically charge to the "usual and customary" or "current reimbursement" rates typically paid by commercial insurers. Commercial insurers, Medicare, and Medicaid all reimburse physicians according to each individual plan's fee schedule, irrespective of the physician's actual bill and, frequently, the cost of the care provided.

Federal Medicare payments are typically used as the standard on which commercial insurers' fees are set. Generally, reimbursement from commercial insurers is highest (100% or more of Medicare), while Maryland Medicaid fees are the lowest (approximately one-third of Medicare). Using trauma center reimbursement data from 2001, it can be roughly estimated that trauma physician reimbursement in Maryland is, on average, comprised of 50% commercial insurer, 25% self-pay, 10% Medicaid, 10% Medicare, and 5% other payors (i.e., worker's compensation, automobile insurance).

Professional fees for trauma physicians are generally collected in one of two ways. For trauma physicians who are employees/faculty members of the trauma center, the hospital (or the group physician practice) bills for the physician's services and uses the revenues to cover, at least in part, the cost of the physician's salary and benefits. Trauma physicians who contract independently with a trauma center to provide their services typically bill for their trauma-related services directly, often in combination with the billing for their regular surgical practices.

State Fiscal Effect: State health plan expenditures could increase beginning fiscal 2004. The bill's provisions may discourage some emergency room physicians from contracting with insurers at certain rates, because the reimbursement rate paid to a noncontracting provider would be higher. To the extent that an insurer's ability to obtain provider discounts is reduced, carrier costs could increase and be passed on to the State plan as

higher premiums. State health 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): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2003
mdf/jr

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