HB 788

Department of Legislative Services

Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 788 (Delegate Hurson)
Health and Government Operations

Maryland Health Care Commission - Hospital-Based Health Care Practitioner Payment System

This bill requires the Maryland Health Care Commission (MHCC) to develop a payment system for hospital-based health care practitioners, including emergency room physicians, radiologists, and anesthesiologists.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: MHCC special fund revenues and expenditures could each increase by $342,800 in FY 2004. Future year estimates reflect annualization and inflation and no consultant fees.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	$342,800	$232,700	$241,300	$250,500	$260,300
SF Expenditure	342,800	232,700	241,300	250,500	260,300
Net Effect	$0	$0	$0	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: By January 1, 2005, MHCC must implement a payment system for hospital-based health care practitioners in the State. The payment system must include a

methodology for a uniform system of reimbursement. Reimbursement for each hospital-based health care practitioner must be comprised of: (1) a numeric factor representing the resources of the hospital-based health care practitioner necessary to provide health care services; (2) a numeric factor representing the relative value of a health care service, as classified by a code, compared to that of other health care services; and (3) a numeric factor that represents a conversion modifier used to adjust reimbursement.

To prevent overpayments of claims, MHCC, to the extent practicable, must establish standards to prohibit the unbundling of codes and the use of reimbursement maximization programs, commonly known as "upcoding." MHCC must consider the resource-based relative value scale (RBRVS) established under the federal Medicare program. The bill specifies other factors MHCC must consider when developing the reimbursement methodology.

MHCC and the appropriate health occupation licensing boards must develop sanctions including notification to the State's insurance fraud unit. MHCC must publish, on an annual basis: (1) the total reimbursement for all health care services delivered by a hospital-based health care practitioner over a 12-month period; (2) the total reimbursement for each hospital-based health care specialty over a 12-month period; (3) the total reimbursement for each code over a 12-month period; and (4) the annual rate of change in reimbursement for health services by hospital-based health care specialties and by code. MHCC may publish any other information that it considers appropriate.

The bill's provisions may not have the effect of impairing the ability of an HMO to contract with hospital-based health care practitioners or any other individual under mutually agreed upon terms and conditions. A professional organization or society that performs activities in good faith in furtherance of the bill's purposes is not subject to criminal or civil liability under the Maryland Antitrust Act for those activities. MHCC must conduct a study of the feasibility of obtaining a Medicare waiver that would enable the federal Medicare program to participate in the practitioner payment system established by the bill. MHCC must report the results of its study to the Senate Finance Committee and the House Health and Government Operations Committee by January 1, 2004.

Current Law: In 1977 the Health Services Cost Review Commission (HSCRC) negotiated a Medicare waiver with the federal government permitting Maryland to establish an "all-payor" system, in which every payor, including Medicaid and Medicare, pays the same hospital rates set by HSCRC. Physician and other health care provider fees are not regulated in Maryland, and health care providers may determine their own charges for services rendered and bill accordingly.

Background: In 1995 the former Health Care Access and Cost Commission (now MHCC) contracted with a consultant to study the feasibility of expanding the all-payor system to include health care practitioners. The cost for this contract was $528,000, partially funded by a grant from the Robert Wood Johnson Foundation. The report recommended expanding Medicare's RBRVS payment system to limited license practitioners and nonphysician providers.

In the RBRVS system, established by Medicare in 1992, payments for services are determined by the resource costs needed to provide them. The cost of providing each service is divided into three components: (1) physician work; (2) practice expense; and (3) professional liability insurance. Payments are calculated by multiplying the combined costs of a service by a conversion factor (a monetary amount that is determined by the federal Centers for Medicare and Medicaid Services). Payments are also adjusted for geographical differences in resource costs.

State Fiscal Effect: MHCC special fund expenditures could increase by $342,751 in fiscal 2004, which accounts for a 90-day start-up delay. This estimate reflects the cost of contracting with a consultant to assist in developing the payment system and hiring one program manager and one health policy analyst to coordinate with a contracted consultant and assist with reviewing, analyzing, and maintaining the new payment system. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$94,281
Consultant Contract to Develop Payment System	237,000
Other Operating Expenses	11,470
Total FY 2004 State Expenditures	**$342,751**

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

MHCC is specially funded through fees imposed on payors and providers. As a result of the increase in expenditures, MHCC would raise payor and provider fees by an amount to exactly offset the increase in expenditures.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Susan D. John

Direct Inquiries to:
(410) 946-5510
(301) 970-5510