

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**

House Bill 1446 (Delegate Morhaim)  
Health and Government Operations

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**Health Insurance - Physician Credentialing Process**

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This bill requires a health insurer, nonprofit health service plan, or HMO (carrier) to complete the credentialing process for a physician within 60 days after receiving a completed application and issue an active provider number to the physician. After the credentialing process is complete, the carrier must reimburse the physician retroactively for any health care services provided during the 60 days.

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**Fiscal Summary**

**State Effect:** Potential minimal expenditure increase for the State Employee and Retiree Health and Welfare Benefit Plan (State health plan). No effect on revenues.

**Local Effect:** To the extent carriers incur additional costs and increase premiums, expenditures for local jurisdiction employee health benefits could increase. Any increase is expected to be minimal. Revenues would not be affected.

**Small Business Effect:** Minimal. Small business physicians who experience delayed credentialing with carriers would receive higher reimbursements for services provided.

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**Analysis**

**Current Law:** A provider that seeks to participate on a carrier's provider panel must submit an application to the carrier. Within 30 days after receipt of the application, the carrier must send notice to the provider that the carrier is either continuing with the credentialing process or the carrier has rejected the provider for participation. If a carrier fails to provide this notice, the Insurance Commissioner may impose a penalty of \$100 to

\$125,000 for each violation and require the carrier to make restitution to any person who has suffered financial injury because of this violation.

**State Fiscal Effect:** State health plan expenditures could increase by a minimal amount, beginning in fiscal 2005. Physicians generally receive a higher reimbursement rate as a participating provider on a carrier's provider panel. To the extent State plan carriers reimburse physicians retroactively, State plan expenditures could increase. The bill does not apply to Medicaid managed care organization. Revenues would not be affected.

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. Medicaid expenditures are 50% general funds, 50% federal funds.

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### **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 (Employee Benefits Division), Department of Legislative Services

**Fiscal Note History:** First Reader - March 18, 2004  
mam/jr

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