

**Department of Legislative Services**  
 Maryland General Assembly  
 2005 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 452

(Delegate Hammen, *et al.*)

Health and Government Operations

Finance

**Health Benefit Plans - Reimbursement to Health Care Practitioners**

This emergency bill prohibits a health insurer, nonprofit health service plan, HMO, or dental plan organization (carrier) that provides health benefit plans subject to regulation by the State from reimbursing a health care practitioner in an amount less than the global fee, capitation rate, or per unit sum or rate paid to the practitioner on November 1, 2004. Medicaid managed care organizations are not subject to the bill's requirements. The Maryland Health Care Commission (MHCC) must study the impact of reimbursement requirements on the access to health care, health care costs, and the health insurance market. MHCC must report the results of this study to the Governor and the General Assembly by January 1, 2007.

The bill terminates June 30, 2008.

**Fiscal Summary**

**State Effect:** MHCC special fund expenditures could increase by \$50,000 in FY 2006 only. State Employee and Retiree Health and Welfare Benefit Plan (State plan) expenditures could increase beginning in FY 2005. No effect on revenues.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	50,000	0	0	0	0
GF/SF/FF Exp.	-	-	-	-	-
Net Effect	(\$50,000)	\$0	\$0	\$0	\$0

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

**Local Effect:** Potential minimal increase in local jurisdiction health benefits expenditures.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** There are several provisions pertaining to reimbursements to health care practitioners. Generally, these provisions require a carrier to reimburse specified types of practitioners for services rendered that are within the scope of the provider's practice. Additionally, a carrier must reimburse a podiatrist at the same rate it reimburses a physician for the service provided.

An HMO must reimburse a health care provider for services rendered to an enrollee as long as the service is covered by the HMO. A covered service is any health care service included in the HMO's benefit package and rendered to an enrollee by a health care provider under contract with the HMO or a noncontracting provider when the service is obtained in accordance with the terms of the benefit contract, obtained pursuant to a verbal or written referral, or preauthorized or otherwise approved by the HMO. An HMO enrollee is not liable to any health care provider for any covered services provided to the enrollee. A health care provider may not collect or attempt to collect from any enrollee any money owed to the provider by an HMO.

An HMO must pay to a noncontracting trauma physician the greater of: (1) 140% of the Medicare rate; or (2) the rate the HMO paid, as of January 1, 2001, in the same geographic area, for the same covered service, to a similarly licensed provider. An HMO must pay any other noncontracting provider the greater of: (1) 125% of the rate the HMO currently pays; or (2) the rate the HMO paid, as of January 1, 2000, in the same geographic area, for the same covered service, to a similarly licensed provider.

The Maryland Insurance Commissioner may impose a penalty not to exceed \$5,000 on any HMO that violates these payment provisions if they are committed with such frequency as to indicate a general business practice.

**Background:** HB 2 of the 2004 Special Session includes provisions that are almost identical to this bill. Conference committee amendments deleted the language in the bill's title relating to these reimbursement provisions, but did not delete the related substantive part of the bill. Since this part of the bill is not reflected in the bill's title, it is unconstitutional and may not be given effect. In a January 3, 2005 letter to the Governor, the Office of the Attorney General recommended that the substantive part of the bill be deleted in next year's curative or corrective bill.

**State Fiscal Effect:** State plan expenditures could increase beginning in fiscal 2005. Carriers in the State plan reimburse noncontracting providers at a lower rate than they pay to contracting providers. A carrier's ability to pay lower rates could be eroded by the bill's reimbursement requirements, thereby eroding State plan cost containment mechanisms. Depending on State plan enrollee utilization of noncontracting providers, State plan expenditures could increase from higher claims costs. There are insufficient data at this time to reliably estimate any increase.

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

MHCC special fund expenditures and revenues could each increase by \$50,000 in fiscal 2006 only to study and report by January 1, 2007 on the impact of the reimbursement requirements on access to health care, health care costs, and the insurance market.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene (Medicaid, Maryland Health Care Commission), Office of the Attorney General, Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2005  
ncs/jr Revised - House Third Reader - March 23, 2005

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