

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

Senate Bill 555 (Senator Exum, *et al.*)
 Finance

Health Insurance - Assignment, Transfer, or Subcontract of Health Care
 Provider Contract

This bill prohibits a health insurer, nonprofit health service plan, HMO, or dental plan organization (carrier) from assigning, transferring, or subcontracting a health care provider's contract to an insurer that offers workers' compensation coverage or the Injured Workers' Insurance Fund (IWIF) without first informing the health care provider and obtaining the provider's express written consent. A carrier may not terminate, limit, or otherwise impair the contract with a health care provider on the basis that the provider refused to agree to the assignment, transfer, or subcontract of the contract.

Fiscal Summary

State Effect: State workers' compensation expenditures could increase by \$663,600 beginning in FY 2007. Provider contract reviews could be handled with existing Maryland Insurance Administration resources. Future year estimates reflect medical inflation. No effect on revenues.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF/FF Exp.	663,600	693,500	724,700	757,300	791,400
Net Effect	(\$663,600)	(\$693,500)	(\$724,700)	(\$757,300)	(\$791,400)

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

Local Effect: Local jurisdiction workers' compensation expenditures could increase if providers refuse to accept discounted fees for reimbursement. Actual impact would vary by county.

Small Business Effect: Potential meaningful. Small business providers who treat injured workers could benefit from higher reimbursements. To the extent that small businesses have workers' compensation coverage through IWIF, claims expenditures could increase.

Analysis

Current Law: A carrier is prohibited from assigning, transferring, or subcontracting a health care provider's contract to an insurer that provides personal injury protection (PIP) coverage, without first obtaining the provider's express written consent. A carrier may not terminate, limit, or otherwise impair the contract with a health care provider on the basis that the provider refused to agree to the assignment, transfer, or subcontract of the contract.

Background: Under current practice, workers' compensation insurers and employers frequently contract with a preferred provider option (PPO) network. The PPO network negotiates discounted fees with health care providers. The providers that agree to the PPO network contract are required to accept the discounted fees for all patients, whether group health, workers' compensation, or otherwise. If a provider refuses to treat an injured worker under the contract or refuses to accept the negotiated fee, the provider would be excluded from the network. Under the bill, a provider would be permitted to stay in the PPO network and refuse to accept the discounted fees agreed to under the contract. Instead, the provider would be paid the higher fee authorized by the *Workers' Compensation Commission Medical Fee Guide*.

IWIF is the injured workers insurer for 30,000 private Maryland employers, the State of Maryland, 12 Maryland' counties, and 119 municipal governments. **Exhibit 1** illustrates the savings achieved by IWIF's use of a PPO network to control costs.

Exhibit 1 IWIF Savings – January 2003 through January 2006

<u>Covered Employer</u>	<u>Amount Saved through PPO Use</u>
State of Maryland*	\$1,977,888
Bethlehem Steel*	\$64,247
Insured Accounts	\$6,278,150
Total	\$8,320,285

*IWIF functions as third-party administrator for claims.

State Fiscal Effect: The State self-insures for workers' compensation claims. IWIF is the State's third-party administrator for workers' compensation insurance. State claims could increase \$663,600 beginning in fiscal 2007 if providers refuse to accept discounted fees and instead are reimbursed at the higher rates authorized by the *Workers' Compensation Commission Medical Fee Guide*. Future year estimates reflect 4.5% medical care inflation. Revenues would not be affected. IWIF advises that total expenditures could increase by \$2.8 million annually for employers that use IWIF as an insurer or as a third-party administrator.

Additional Information

Prior Introductions: None.

Cross File: HB 868 (Delegate Nathan-Pulliam, *et al.*) – Health and Government Operations.

Information Source(s): Workers' Compensation Commission, Injured Workers' Insurance Fund, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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