

Department of Legislative Services  
 Maryland General Assembly  
 2007 Session

**FISCAL AND POLICY NOTE**

Senate Bill 542  
 Finance

(Senator Jones, *et al.*)

**Health Insurance - Visits After Diagnostic or Surgical Procedure Using Anesthesia - Coverage**

This bill requires a health insurer, nonprofit health service plan, or HMO (carrier) that provides coverage for a diagnostic or surgical procedure involving the administration of anesthesia to provide coverage for at least one follow-up visit, and any other follow-up visits that are medically necessary, to a provider after the procedure.

**Fiscal Summary**

**State Effect:** State Employee and Retiree Health and Welfare Benefits Plan (State plan) expenditures could increase by \$3.3 million in FY 2008. Future year estimates reflect annualization and inflation. Potential minimal increase in special fund revenues for the Maryland Insurance Administration from the \$125 rate form and filing fee in FY 2008.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	-	-	-	-	-
GF/SF/FF Exp.	3,254,100	4,729,200	5,154,900	5,618,800	6,124,500
Net Effect	(\$3,254,100)	(\$4,729,200)	(\$5,154,900)	(\$5,618,800)	(\$6,124,500)

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

**Local Effect:** To the extent carriers increase premiums as a result of the bill's requirements, expenditures for local government employee health benefits could increase. Any increase is expected to be negligible. No effect on revenues

**Small Business Effect:** Potential minimal.

## Analysis

**Current Law:** There are 41 mandated health insurance benefits that certain carriers must provide to their enrollees. There is no provision requiring follow-up visits following a diagnostic or surgical procedure involving the administration of anesthesia.

**Background:** Under current claims processing procedures for Maryland carriers, follow-up visits after a surgical or diagnostic procedure involving anesthesia are included as part of the provider's charge for the procedure and are not paid separately.

The Maryland Health Care Commission (MHCC) conducts an annual study of mandated health benefits. According to its January 19, 2006 report, on average, Maryland's 41 mandated health benefits account for 15.4% of a health insurance policy premium's total cost.

**State Fiscal Effect:** If the State plan chooses to cover this mandated health benefit, expenditures could increase by \$3,254,063 in fiscal 2008, which reflects the bill's October 1, 2007 effective date. The State has both self-insured and fully insured health plans. The State is not required to cover mandated benefits under its self-insured plans, but it has generally done so in the past. The information and assumptions used in calculating the estimate are stated below:

- the encounter rate for anesthesia services for the 250,000 State plan enrollees is 0.267 per person per year; and
- the average office visit per person is \$65.

State plan expenditures assume a fund mix of 60% general funds, 20% federal funds, and 20% special funds. Future year estimates reflect annualization and 9% annual inflation.

**Small Business Effect:** Small businesses (2-50 employees) purchase the Comprehensive Standard Health Benefit Plan (CSHBP), which is exempt from including mandated benefits in its coverage. All carriers participating in the small business market must sell CSHBP to any small business that applies for it. A small business may purchase riders to expand the covered services. In addition, MHCC takes mandated benefits into consideration when reevaluating the CSHBP benefit package. Small business health insurance costs may increase if carriers increase their premiums as a result of this bill. Any increase is expected to be negligible.

## **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

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