

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 323

(Senator Astle)

Finance

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**Health Maintenance Organizations - Reimbursement Rates of Noncontracting Providers**

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This bill changes HMO reimbursement rates to noncontracting health care providers. It requires an HMO to pay a noncontracting health care provider that is not a trauma physician or hospital the rate reflected in the physician payment database of the Maryland Health Care Commission (MHCC) that is the fiftieth percentile charge for the covered service in the State.

The bill repeals the requirement that an HMO disclose, on request of a health care provider not under written contract with the HMO, the reimbursement rate paid to trauma physicians or any other noncontracting health care provider.

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**Fiscal Summary**

**State Effect:** Potentially significant increase in expenditures for the State employee and retiree health insurance program. To the extent HMO's in the program currently pay less than the amount required under the bill, expenditures for premiums in the program could increase, but cannot be reliably estimated at this time. Potentially significant increase in revenues from the HMO premium tax. Any increase would depend on how much HMO premiums would increase to pay the higher reimbursement rates under the bill.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. Noncontracting providers could receive higher reimbursement rates from HMOs.

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## Analysis

**Current Law:** An HMO must pay a claim for a covered service rendered to an enrollee by a noncontracting trauma physician for trauma care at the greater of: (1) 140% of the rate paid by the Medicare program; or (2) the rate as of January 1, 2001 that the HMO paid in the same geographic area, for the same covered service, to a similarly licensed provider.

An HMO must pay a claim for a covered service rendered to an enrollee by any other noncontracting health care provider at the greater of: (1) 125% of the rate the HMO pays in the same geographic area, for the same covered service, to a similarly licensed provider under written contract with the HMO; or (2) the rate as of January 1, 2000 that the HMO paid in the same geographic area, for the same covered service, to a similarly licensed provider not under written contract with the HMO.

Insurance companies and HMOs licensed in Maryland that collect more than \$1 million in health insurance premiums annually are required to submit information to MHCC for inclusion in the Maryland Medical Care Data Base (MCDB).

**Background:** According to MHCC, fees for physician services paid by HMOs in 2004 averaged about 3.0% below the Medicare level, while fees paid by non-HMO plans were about 2.6% above the Medicare level. Although services provided in a hospital setting commanded rates exceeding Medicare, services provided in an office-based setting, accounting for 70% of all practitioner payments, were paid at below-Medicare rates.

In May 2006, the Maryland Medical Society (MedChi) requested the Attorney General to investigate whether monopolistic pricing practices exist in the Maryland health insurance market, citing that the market is dominated by two insurers and that reimbursement ranks in the bottom twenty-fifth percentile for all states for commercial reimbursement of physicians.

MCDB contains information on practitioner (physician and other health care professional) and prescription drug services provided to privately insured Maryland residents. MCDB contains medical and prescription claims for services paid on a fee-for-service basis and encounter data for services paid under capitation. In 2006, about 25 payers submitted to MCDB. MHCC also obtains data from the Center for Medicare and Medicaid Services. Each record shows the service provided, payment from the insurer and/or patient, patient age and county of residence, physician specialty, site of service, and type of coverage.

## **Additional Information**

**Prior Introductions:** Similar legislation was introduced in 2006 (HB 896/SB 839). These bills would have required HMOs to pay noncontracting health care providers the lesser of the billed charges of the health care provider or 125% of the highest contract rate the HMO paid as of January 1 of the calendar year in which the health care service was delivered, for the same covered service in the same geographic area, to a similarly licensed provider under written contract with the HMO. No action was taken on either bill.

**Cross File:** HB 330 (Delegate Donoghue) – Health and Government Operations.

**Information Source(s):** *Study of Reimbursement of Health Care Providers*, Maryland Health Care Commission (January 2004), Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - February 7, 2007  
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