

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

House Bill 1104 (Delegate Tarrant, *et al.*)  
Health and Government Operations

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Maryland Medical Assistance Program - Managed Care Organization - Hospital  
Ancillary Services

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This bill requires managed care organizations to determine separately and independently the medical necessity of ancillary services provided during a hospital stay, including emergency room care, from the medical necessity of the hospitalization. An MCO may not base the denial of payment for the ancillary services provided during a hospital stay solely on the determination of the MCO that the hospitalization was not medically necessary.

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Fiscal Summary

**State Effect:** Potentially significant increase in Medicaid expenditures (50% general funds, 50% federal funds) beginning in FY 2009 under the bill. There is insufficient information available to quantify any potential increase. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Background:** Hospital ancillary services are support services, other than room and board and medical and nursing services, that are routinely available to all patients such as laboratory, radiology, pharmacy, and physical therapy services. These services are also available to Medicaid enrollees through community providers.

According to the Department of Health and Mental Hygiene, fee-for-service Medicaid does not cover hospital ancillary services provided during a nonmedically necessary hospital day. MCOs have the option to pay or not pay for the services.

In August 1999, the Maryland Insurance Commissioner issued Order No. 1081 requiring commercial insurance carriers to reimburse for medically necessary hospital ancillary services received during a hospital day determined to be not medically necessary. In December 1999, the Maryland Insurance Administration issued a bulletin to all health insurance carriers noting that a denial of hospital ancillary services must be based on the medical necessity of the service. Denial of ancillary services otherwise would constitute an arbitrary denial of benefits.

**State Fiscal Effect:** Medicaid expenditures (50% general funds, 50% federal funds) could potentially increase beginning in fiscal 2009 due to the bill's requirement that the medical necessity of hospital ancillary services be determined separately from the medical necessity of the hospitalization. Expenditures could increase due to additional utilization review and increased hospital reimbursement. The extent of any increase cannot be reliably estimated at this time.

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### **Additional Information**

**Prior Introductions:** A substantially similar bill, HB 1104 of 2007, was heard by the House Health and Government Operations Committee but no further action was taken.

**Cross File:** SB 774 (Senator Pugh) – Finance.

**Information Source(s):** Department of Health and Mental Hygiene, Department of Legislative Services

**Fiscal Note History:** First Reader - February 26, 2008  
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