

**Department of Legislative Services**  
 Maryland General Assembly  
 2009 Session

**FISCAL AND POLICY NOTE**

House Bill 815 (Delegates Beitzel and Hammen)  
 Health and Government Operations and  
 Economic Matters

**Medical Malpractice Liability Insurance - Garrett County Memorial Hospital -  
 Subsidy for Practitioners Who Perform Obstetrical Services - Extension**

This bill requires that, beginning in fiscal 2010, a disbursement be made from the Medical Assistance Program Account (MAPA) of the Maryland Health Care Provider Rate Stabilization Fund to provide subsidies for medical professional liability insurance policies issued to family practitioners who have staff privileges and provide obstetrical services at Garrett County Memorial Hospital.

The bill takes effect July 1, 2009.

**Fiscal Summary**

**State Effect:** After FY 2009, all funds in MAPA are to be used for Medicaid. Thus, the bill reallocates Medicaid funds in FY 2010 and future years to pay for medical professional liability insurance subsidies. Reduced availability of special funds from MAPA increases general fund expenditures for Medicaid by an estimated \$250,000 annually beginning in FY 2010. No effect on revenues.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	250,000	250,000	250,000	250,000	250,000
Net Effect	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)

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

**Local Effect:** The bill does not affect the finances or operations of Garrett County.

**Small Business Effect:** Meaningful for certain family practitioners with staff privileges at Garrett County Memorial Hospital.

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## Analysis

**Bill Summary:** The amount of the subsidy is 75% of the difference between the policyholder's premium for calendar 2010 and each subsequent calendar year and the premium that otherwise would be payable in those years if the policyholder was not providing obstetrical services.

The bill places this subsidy first in the order of preference for disbursements from MAPA and requires the Secretary of Health and Mental Hygiene to establish a procedure that a medical professional liability insurer may use to apply for reimbursement from MAPA for the subsidy established under the bill.

**Current Law:** The Maryland Health Care Provider Rate Stabilization Fund receives money from the 2% premium tax imposed on health maintenance organizations and managed care organizations. The fund was established to retain health care providers in the State by allowing insurers to charge lower premium rates for medical professional liability insurance and increasing Medicaid payment rates. Historically, money in the fund has been transferred to one of two accounts: (1) the Rate Stabilization Account (RSA), which is used to pay insurers for health care provider subsidies; and (2) MAPA, which is used to increase Medicaid payments to health care providers. After fiscal 2009, 100% of revenues to the fund are to be allocated to MAPA to continue increased payments to health care providers and to support the Medicaid program.

Chapters 174 and 175 of 2007 increased the subsidy from RSA for medical professional liability insurance policies issued to family practitioners who have staff privileges and provide obstetrical services at Garrett County Memorial Hospital. The amount of the increase is 75% of the difference between the policyholder's premium for calendar 2007, 2008, and 2009 and the premium that otherwise would be payable in those years if the policyholder was not providing obstetrical services. Money necessary to pay for the increased subsidies must remain in RSA. Chapters 174 and 175 terminate June 30, 2010.

**Background:** Funds from RSA are paid primarily to the Medical Mutual Liability Insurance Society of Maryland, which insures 70% to 75% of private practice physicians in the State. However, after realizing surpluses of \$43.7 million in 2005 and \$45.9 million in 2006, Medical Mutual announced in September 2007 its intent to declare a dividend of \$68.6 million (later increased to \$97.9 million) and withdraw from the subsidy program in 2008. Following Maryland Insurance Administration (MIA) proceedings in December 2007, the Insurance Commissioner and Medical Mutual announced that the insurer would return \$84.0 million to the State. This figure represents the amount that Medical Mutual received in premium subsidies.

Based on 2007 premium levels, the difference between a premium for a professional providing obstetrical services and one who does not was approximately \$107,000.

**State Fiscal Effect:** The bill requires the enhanced subsidies provided under Chapters 174 and 175 to continue beginning in fiscal 2010 for calendar 2010 and subsequent years. According to MIA, four physicians specified under the bill are receiving professional liability insurance subsidies. The Department of Health and Mental Hygiene, which will pay the subsidies, estimates that the subsidies are \$250,000 annually in calendar 2010 and subsequent years. Payment of the subsidies increases general funds needed to support the State's Medicaid costs.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 774 (Senator Edwards) - Finance.

**Information Source(s):** Garrett County, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - February 24, 2009  
ncs/mwc

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