

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1147 (Delegate Donoghue)
Health and Government Operations

Health Insurance - Reimbursement of Physicians for Administrative Services - Required

This bill requires insurers, nonprofit health service plans, health maintenance organizations, dental plan organizations, or any other person that provides health benefit plans subject to State regulation to reimburse physicians for administrative services provided to enrollees, including electronic communications, telephone communications, and completion of prior authorization forms.

Fiscal Summary

State Effect: Minimal special fund revenue increase in FY 2010 for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee. MIA can handle review of revised contracts with existing budgeted resources. State Employee and Retiree Health and Welfare Benefits Program (State plan) expenditures increase by \$1.6 million in FY 2010 to reimburse physicians for administrative services. To the extent electronic and telephone communications reduce the need for other more costly care, expenditures may be offset by savings. Future years reflect annualization and medical cost inflation.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	-	\$0	\$0	\$0	\$0
GF Expenditure	\$.9	\$1.3	\$1.4	\$1.5	\$1.6
SF Expenditure	\$.3	\$.4	\$.5	\$.5	\$.5
FF Expenditure	\$.3	\$.4	\$.5	\$.5	\$.5
Net Effect	(\$1.6)	(\$2.2)	(\$2.4)	(\$2.5)	(\$2.7)

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

Local Effect: Potential increase in health insurance expenditures for local governments for their fully insured health benefit plans.

Small Business Effect: Small business physician practices will receive additional reimbursement for administrative services. The bill does not affect the small group health insurance market.

Analysis

Current Law: In general, Title 15, Subtitle 7 of the Insurance Article requires health insurance policies, contracts, and certificates to reimburse for any covered service if a practitioner is providing services within the lawful scope of practice. Policies, contracts, and certificates must provide the option of covering services rendered by certain licensed providers. There is no specific requirement that providers be reimbursed for administrative services.

Background: According to the American Academy of Pediatrics, telephone care requires medical judgment, is associated with practice expense and medical liability risk, and can often substitute for more costly face-to-face care. Despite this, physicians are infrequently paid by patients or third-party payors for medical services provided by telephone. As the costs of maintaining a practice continue to increase, physicians are increasingly seeking payment for the time and work involved in telephone care. Nationally, physician experience with payment for telephone care is limited, because government payors and most private health plans do not pay physicians for these services even when available Current Procedural Terminology codes are used.

The Task Force on Health Care Access and Reimbursement, which issued its final report in December 2008, found that, while practices are slowly changing, most commercial payers both nationally and in Maryland do not compensate providers for telephone or e-mail communications (eVisits). Aetna, Blue Cross Blue Shield, and CIGNA pay for eVisits in some markets. The task force recommended that eVisits and telephone calls be reimbursed in certain situations when the electronic event replaces a face-to-face visit.

State Expenditures: State plan expenditures increase by an estimated \$1.6 million in fiscal 2010, which reflects the bill's October 1, 2009 effective date. The estimate reflects the cost to reimburse physicians for administrative services. This estimate assumes a 1% increase in total costs for professional services for the State plan and that reimbursement will be implemented by the State plan's third-party administrator upon the effective date of the bill. Total professional services paid by the State plan are estimated to be \$207.1 million in fiscal 2010. To the extent electronic and telephone communications reduce the need for other more costly care (*i.e.*, an urgent care or emergency room visit), expenditures may be offset by savings. The amount of any savings cannot be reliably estimated at this time.

State plan expenditures assume a fund mix of 60% general funds, 20% federal funds, and 20% special funds. Future year estimates reflect annualization and 7% annual medical cost inflation.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Task Force on Health Care Access and Reimbursement, *Final Report and Recommendations*, December 2008; American Academy of Pediatrics; Charles, Frederick, Montgomery, and Somerset counties; Department of Budget and Management; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

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