

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 885

(Senators Klausmeier and Astle)

Finance

Health and Government Operations

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Health - Administrative Service Provider Contracts - Contracting Provider  
Definition

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This bill specifies that a “contracting provider” excludes a medical laboratory as it relates to health maintenance organizations (HMOs) and administrative service provider contracts.

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Fiscal Summary

**State Effect:** The bill does not affect governmental finances.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** An “administrative service provider contract” is a contract or capitation agreement between an HMO and a contracting health care provider. The contracting provider must accept payments from an HMO for health care services provided to its members that it arranges to be provided by external providers. The contracting provider must administer payments for health care services to external providers pursuant to its contract with the HMO.

A “contracting provider” means a person who enters into an administrative service provider contract with an HMO. An external provider is a health care provider, including a physician or hospital, that is not a contracting provider or employee, shareholder, or partner of a contracting provider.

HMOs that enter into administrative service provider contracts with contracting providers must file a plan with the Insurance Commissioner, subject to the Commissioner's approval. An HMO that enters into an administrative service provider contract with a contracting provider must establish and maintain a segregated fund in a form and amount approved by the Commissioner and meet other requirements, including specific financial reporting requirements.

If a person violates any administrative service contract provisions, the Commissioner may impose a maximum penalty of \$125,000 for each violation. In addition, the Commissioner may order an HMO to pay restitution to any person who has suffered financial injury because of a violation.

A "medical laboratory" is any facility, entity, or site that offers or performs tests or examinations connected with the diagnosis and control of human diseases or the assessment of human health, nutritional, or medical conditions or in connection with job-related drug and alcohol testing. Any laboratory owned or operated by the State, a county, or municipal corporation in the State is considered a medical laboratory.

**Background:** The Maryland Insurance Administration and Department of Health and Mental Hygiene advise that the bill still allows an HMO to contract with a medical laboratory but without the reporting and other requirements mandated under a contracting provider arrangement.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** Although not designated as a cross file, HB 261 (Delegate Tarrant – Health and Government Operations) is identical.

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

**Fiscal Note History:** First Reader - March 5, 2010  
mpc/mwc

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