

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 815 (Delegate A. Kelly)
Health and Government Operations

Health Insurance - Limit on Copayments

This bill prohibits insurers, nonprofit health service plans, and health maintenance organizations (HMOs) that provide covered benefits subject to a copayment from imposing a copayment that exceeds 50% of the allowed amount for the covered benefit. The limit on copayments does not apply to prescription drugs.

The bill applies to all policies, contracts, and health benefit plans issued, delivered, or renewed in the State on or after October 1, 2011.

Fiscal Summary

State Effect: Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) in FY 2012 from the \$125 rate and form filing fee. Review of form filings can be handled within existing MIA resources. To the extent the bill applies only to copayments for covered services, there is no impact on the State Employee and Retiree Health and Welfare Benefits Program.

Local Effect: To the extent that fully insured plans increase premiums to offset higher costs, health insurance expenses for some local governments may increase under the bill.

Small Business Effect: None.

Analysis

Current Law: An HMO may not charge a copayment that is greater than 50% of the daily cost for methadone maintenance treatment. Carriers are prohibited from imposing a copayment or coinsurance requirement for a covered prescription drug or device that

exceeds the retail price of the drug or device. Carriers may not make benefits for the treatment of a specified disease or diagnosis subject to different copayment amounts, coinsurance, deductibles, annual maximum limits, or lifetime maximum limits than those that apply to all other diseases covered under the policy or contract.

Background: Copayments are used to induce patients to use health care more efficiently. They result in less demand for services and thus fewer claims paid by insurers. Copayments require patients to share a part of the expense at the time of service on the basis that it will discourage frivolous care. However, coinsurance or copayments that are too high can lead patients to avoid care or impose a significant financial burden.

In 2009, the State of Missouri enacted legislation that prohibits carriers from imposing any copayment that exceeds 50% of the total cost of providing any single chiropractic service to its members. For in-network providers, total cost is the amount the chiropractor has agreed to accept as payment in full. For out-of-network providers, total cost is the total billed charge, reasonable and customary charge, or maximum allowable charge as specified in an enrollee's contract.

Additional Comments: According to the Department of Budget and Management, the State Employee and Retiree Health and Welfare Benefits Program does not have any services for which copayments are more than 50% of the billed charges.

Additional Information

Prior Introductions: None.

Cross File: SB 579 (Senator Rosapepe) - Finance.

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

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