# Department of Legislative Services

Maryland General Assembly
2011 Session

## FISCAL AND POLICY NOTE

Senate Bill 298 (Senator Pipkin)
Finance

**Health Insurance - Reimbursement for Covered Services Rendered by Telemedicine**

This bill requires insurers, nonprofit health service plans, and health maintenance organizations (carriers) to reimburse licensed health care providers for a covered service rendered by telemedicine. Reimbursement for services rendered by telemedicine must be at the same rate established by the carrier for the same or a substantially similar service that is rendered in person.

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

## Fiscal Summary

**State Effect:** Expenditures for the State Employee and Retiree Health and Welfare Benefits Program (State plan) increase by a significant amount beginning in FY 2013 to reimburse for telemedicine services. Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the $125 rate and form filing fee in FY 2012. Review of filings can be handled with existing budgeted MIA resources.

**Local Effect:** Potential increase in expenditures for some local governments to reimburse for telemedicine services.

**Small Business Effect:** Potential meaningful. Some small business health care providers could receive increased reimbursement for telemedicine services under the bill. However, the bill does not impact the small group health insurance market.

## Analysis

**Bill Summary:** "Telemedicine" is the use of medical information exchanged from one site to another via electronic communications to improve a patient's health status.

**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.

**Background:**

*National Activity*

Twelve states (California, Colorado, Georgia, Hawaii, Kentucky, Louisiana, Maine, New Hampshire, Oklahoma, Oregon, Texas, and Virginia) mandate health insurance coverage of telemedicine or telehealth services.

In June 2009, Virginia's Joint Legislative Audit and Review Commission issued an evaluation of proposed legislation to mandate coverage of telehealth services (legislation was enacted in April 2010). The evaluation concluded that the premium costs associated with mandated coverage of telehealth services were expected to be low initially ($0.83 per policy per month for individual and group policies) and less than that of many existing mandates, primarily due to low utilization. However, the premium impact could increase over time as the telemedicine industry grows.

*Medicare and Medicaid Coverage*

The federal Medicare program provides reimbursement for some telemedicine services. Beneficiaries must present from an originating site located in either a rural health professional shortage area (HPSA) or a county outside of a metropolitan statistical area (MSA). Covered services are limited and must be provided at qualifying originating sites by designated Medicare practitioners.

Telemedicine is not a distinct service under Medicaid. However, states may seek a State Plan Amendment to cover telemedicine. Maryland Medicaid currently does not reimburse for telemedicine. According to the American Telemedicine Association, an estimated 25 state Medicaid programs (including Pennsylvania and Virginia) provide some reimbursement for services provided via telemedicine.

*Application in Maryland*

In June 2010, the Maryland Health Quality and Cost Council approved the creation of the Maryland Telemedicine Task Force with the charge to develop a plan for a comprehensive statewide telemedicine system. Until recently, efforts were focused on using telemedicine to improve stroke care in Maryland. In the coming months, three advisory groups will meet to develop a report: a clinical advisory group to define areas of clinical need, a technical advisory group to define technical systems and statewide standards, and a financial group to define reimbursement requirements and financial support. A final report on telemedicine is anticipated to be submitted to the council in December 2011.

Chapter 266 of 2006 required the University of Maryland School of Medicine to study and report on issues regarding the use of and reimbursement for telemedicine. The 2007 report noted that telemedicine has been slow to develop in Maryland due to several barriers, including financial and quality issues, infrastructure, and legal and regulatory issues. The report speculated that, as issues of equipment availability, provider training, and infrastructure evolve, more attention may be focused on reimbursement.

**State Expenditures:** Although not required to follow health insurance mandates, the State plan generally does. Thus, this estimate assumes that the State plan will follow the bill's requirement. As the State plan contract runs on a fiscal-year basis, the benefits specified under the bill would not be included until the fiscal 2013 plan year.

State plan expenditures increase by a significant amount beginning in fiscal 2013 to reimburse for telemedicine services. The exact impact cannot be reliably quantified because no claims data are available.

According to the Department of Budget and Management (DBM), an estimated 10% of State plan enrollees will have access to telemedicine services. DBM estimates, therefore, that the bill will result in a 10% increase in utilization of primary care office visits at a total cost of $2.0 million in fiscal 2013, rising to $2.6 million in fiscal 2016.

The Department of Legislative Services notes, however, that DBM's estimate only assumes an increase in utilization of services and does not include any potential substitution of services rendered by telemedicine for services that would otherwise have been rendered in person. To the extent that utilization of services increases by less than 10% and/or there is substitution of services rendered by telemedicine, the actual impact on the State plan could be substantially reduced.

*For illustrative purposes only*, using the estimated cost per policy per month of $0.83 from the Virginia study, telemedicine services could cost the State plan approximately $1,045,800 per year (105,000 policies at an annualized cost of $9.96), with the State paying 80% of this cost ($836,640).

State plan expenditures are split 59% general funds, 31% special funds, and 10% federal funds.

**Local Expenditures:** Local government expenditures (for those that purchase fully insured plans from an insurance company) increase for some local governments to reimburse for telemedicine services.

**Small Business Effect:** Small business health care providers may see an increase in reimbursement for telemedicine services.

## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** American Medical Association; American Telemedicine Association; Joint Legislative Audit and Review Commission of the Virginia General Assembly, *Evaluation of House Bill 2191 and Senate Bill 1458: Mandated Coverage of Telehealth Services,* June 2009; University of Maryland School of Medicine, *Report on Policies Regarding Use and Reimbursement for Telemedicine Services in Maryland and Other States,* February 2007; Department of Budget and Management; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

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