Department of Legislative Services

Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 817 (Senator Pipkin)
Finance

Health Insurance - Reimbursement for Covered Services Rendered by Telemedicine

This bill requires insurers, nonprofit health service plans, and health maintenance organizations (HMOs) (collectively known as 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, 2012.

Fiscal Summary

State Effect: Expenditures for the State Employee and Retiree Health and Welfare Benefits Program (State plan) increase by a potentially significant amount beginning in FY 2014 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 2013. 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 and includes remote review of diagnostic information; real-time, two-way audio and video communication; specialist referral services; patient consultations; and remote patient monitoring.

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: Telemedicine is the use of medical information exchanged from one site to another via electronic communications to improve a patient's health status. There are generally two types of telemedicine encounters – those that require two providers and those that do not. Certain telemedicine encounters require a provider at the location with the patient to "present" the patient and manage the telemedicine technology, while another provider conducts the evaluation or consultation remotely. Other forms of telemedicine, such as remote monitoring, require only one provider to receive and interpret clinical data or provide consultation to another provider.

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.

Virginia adopted its telemedicine mandate in 2010. The law requires all health insurers, health care subscription plans, and HMOs to offer coverage for telemedicine services. Payors may not discriminate with regards to reimbursement levels, premium payments, or other aspects of coverage on the basis that a service is being provided via telemedicine. According to the Virginia Department of Human Resource Management, during the first 14 months of implementation of the mandate, Virginia's state employee health insurance plan received a total of 78 claims for 11 enrollees for telemedicine services.

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 or a county outside of a metropolitan statistical area. Covered services are limited and must be provided at qualifying originating sites by designated Medicare practitioners. According to the American Telemedicine Association, Medicare spending for telehealth was about $0.26 per year per covered beneficiary in 2009.

Telemedicine is not a distinct service under Medicaid. However, states may seek a State Plan Amendment to cover telemedicine. An estimated 35 state Medicaid programs (including Virginia and West Virginia) provide some reimbursement for services provided via telemedicine.

Maryland Medicaid currently does not reimburse for telemedicine with the exception of a telemental health services pilot program for fee-for-services enrollees. The purpose of the pilot is to provide psychiatric care via telemental health technology to improve access to outpatient psychiatric care, improve access to outpatient and inpatient psychiatric subspecialty consultation, and improve capacity and choice for outpatient ongoing psychiatric treatment.

Maryland Telemedicine Task Force: In June 2010, the Maryland Health Quality and Cost Council approved the creation of the Maryland Telemedicine Task Force. A final report to the council was issued in December 2011. The report found that effective use of telemedicine can increase access to health care, reduce health disparities, and create efficiencies in health care delivery. Telemedicine is generally considered as a viable means of delivering health care remotely through the use of communication technologies and can bridge the gaps of distance and health care disparity. Although telemedicine is well established, a number of technology and policy challenges need to be resolved before its full potential can be realized.

The task force's three advisory groups (clinical, technology solutions and standards, and financial and business model) identified the following recommendations to promote telemedicine in Maryland:

- **State-regulated payors should reimburse for telemedicine services** to the same extent as health care services provided face-to-face, regardless of the location. Telemedicine services should be assessed to determine their appropriateness in the same manner as face-to-face services as part of benefit design and through utilization review.

- **Establish a centralized telemedicine network built on existing industry standards.** An interoperable network built on existing standards and integrated into the State-designated health information exchange would enable broad provider participation, allow networks to connect to other networks, and have access to clinical information through the exchange. Organizations that adopt telemedicine should meet certain minimum requirements related to technology and connectivity to a centralized network.

- **Implement changes in licensure, credentialing, and privileging of providers to facilitate the adoption of telemedicine.** Regulations should be aligned with

newly revised federal Centers for Medicare and Medicaid Services rules that permit privileging and credentialing by proxy. As telemedicine advances, additional consideration regarding expanding existing regulations to support out-of-state providers that meet certain conditions to provide telemedicine services to patients in Maryland is required. Future changes in licensure are needed to enable reciprocity of licensure for physicians practicing in neighboring states.

The report noted that little evidence exists to suggest that adoption of telemedicine increases health care costs and that aligning prices of telemedicine equitably with face-to-face care will help ensure that the service is used appropriately and does not lead to a surge in utilization. However, more information is needed on the costs of telemedicine before payment levels should be guaranteed relative to face-to-face visits. The appropriateness of new forms of reimbursement, such as bundling payments around a single episode of care or permitting telemedicine when delivered by an accountable care organization recognized by the payor, may prove attractive for providers and payors.

State Expenditures: As the State plan contract runs on a fiscal-year basis, coverage of and reimbursement for telemedicine services as specified under the bill would not be included until the fiscal 2014 plan year. 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 $2.7 million in fiscal 2014, with 8% medical inflation in future years. State plan expenditures are split 59% general funds, 30% special funds, and 11% federal funds.

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, or any potential savings. To the extent that utilization of services increases by less than 10% and/or there is substitution of services rendered by telemedicine or offsetting savings, the actual impact on the State plan could be substantially reduced.

Local Expenditures: Local government expenditures (for those that purchase fully insured plans from an insurance company) may 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 Comments: Two other bills, SB 781/HB 1149 of 2011, address coverage and reimbursement for health care services provided via telemedicine.

Additional Information

Prior Introductions: SB 298 of 2011, and a similar bill, SB 744 of 2011, were heard by the Senate Finance Committee, but no further action was taken on either of the bills.

Cross File: None.

Information Source(s): *Telemedicine Recommendations: A Report Prepared for the Maryland Health Quality and Cost Council*, December 2011; American Telemedicine Association; Virginia Department of Human Resource Management; Department of Budget and Management; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

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