

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 884

(Senator Pugh, *et al.*)

Finance

Health and Government Operations

Health Insurance - Incentives for Health Care Practitioners

This bill alters the circumstances under which an insurer, nonprofit health service plan, health maintenance organization (HMO), or dental plan organization (collectively known as carriers) may provide bonuses or other incentive-based compensation to a health care practitioner and authorizes carriers to provide such bonuses and compensation to a “set of health care practitioners” (a group practice, clinically integrated organization, or accountable care organization).

Fiscal Summary

State Effect: Any additional workload on the Maryland Insurance Administration can be handled with existing budgeted resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: Potential meaningful. Health care practitioners and sets of health care practitioners may receive additional bonuses or other incentive-based compensation from carriers.

Analysis

Bill Summary/Current Law: A carrier may provide bonuses or other incentive-based compensation to a health care practitioner under specified circumstances. A carrier must provide a health care practitioner with the information about the practitioner and the methodology that the carrier uses to determine whether to provide a bonus or other incentive-based compensation to the practitioner. Bonuses and other incentive-based compensation may be provided if the bonus or compensation (1) complies with the

reasonable standards of quality of care that an HMO must provide to its members under § 19-705.1 of the Health-General Article; (2) promotes the delivery of medically appropriate care to an enrollee; and (3) except for the provision of preventive health care services, is not based on the cost or number of medical services provided, proposed, or recommended by the health care practitioner without reference to the medical appropriateness or necessity of the services.

The bill clarifies that the first requirement applies only to HMOs and repeals both the second and third requirements. Instead, the bill authorizes provision of bonuses or other incentive-based compensation if the bonus or compensation does not create a disincentive to medically appropriate or medically necessary health care services.

Under the bill, a bonus or other incentive-based compensation (1) if applicable, must promote the provision of preventive health care services *or* (2) may reward a health care practitioner or a set of health care practitioners, based on satisfaction of performance measures, if certain specified items are agreed on in writing by the carrier and the health care practitioner or set of health care practitioners.

Acceptance of a bonus or other incentive-based compensation must be voluntary. A carrier may not require a health care practitioner or a set of health care practitioners to participate in the carrier's bonus or other incentive-based compensation program as a condition of network participation. A health care practitioner, a set of health care practitioners, or a designee may file a complaint with the Maryland Insurance Administration regarding a violation of this prohibition.

Additional Comments: The Department of Budget and Management advises that the bill supports the shared savings incentive plan included in the department's request for proposal (RFP) currently underway for the State Employee and Retiree Health and Welfare Benefits Program. The RFP includes shared savings with carriers for achieving certain population health outcomes. While the RFP does not detail physician compensation or incentives, the bill would allow carriers more flexibility to develop bonuses or other incentive-based compensation for their networked providers.

Additional Information

Prior Introductions: None.

Cross File: HB 1127 (Delegate Tarrant, *et al.*) - Health and Government Operations.

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

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Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510