

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1153
Finance

(Senator Pugh)

Health Insurance - Clinically Integrated Organizations

This bill alters the definition of “clinically integrated organization” (CIO).

The bill takes effect June 1, 2016.

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: Meaningful to the extent that any entities seeking to operate as a CIO are small businesses.

Analysis

Bill Summary/Current Law: Under current law, a CIO is a joint venture between a hospital and physicians that:

- has received an advisory opinion from the Federal Trade Commission (FTC) or its staff and has been established to evaluate and improve the practice patterns of the health care providers and create a high degree of cooperation, collaboration, and mutual interdependence among the health care providers who participate in the joint venture to promote the efficient, medically appropriate delivery of covered medical services; or

- is accountable for total spending and quality and the Insurance Commissioner determines meets the criteria established by the U.S. Department of Health and Human Services for an accountable care organization (ACO).

The bill removes the requirement that a joint venture have received an advisory opinion from FTC and instead specifies that the joint venture meet the criteria established in FTC advisory opinions.

Chapters 598 and 599 of 2010 authorized insurers, nonprofit health service plans, and health maintenance organizations (collectively known as carriers) to enter into a contract with a CIO to pay for the coordination of covered services to qualifying individuals and specified incentives to promote the efficient, medically appropriate delivery of covered medical services to qualifying individuals.

A CIO that enters into an agreement with a carrier for incentive payments must, after discussing parameters and analytical methods with the Maryland Health Care Commission (MHCC), submit an evaluation of its program to MHCC within three years of the agreement's effective date. MHCC must then summarize the evaluation, including any recommendations for legislative action, and submit the summary to the House Health and Government Operations and Senate Finance committees.

Carriers must share medical information about covered individuals with a clinically integrated organization and its members under certain circumstances.

The Insurance Commissioner, in consultation with MHCC, may adopt regulations specifying the types of permissible payments and incentives for CIOs. A carrier must file a copy of its contract with a CIO with the Insurance Commissioner, and if the contract includes a provision to pay a bonus or other incentive that does not comply with State law, the Insurance Commissioner must provide a copy of the contract to MHCC. Contracts provided to the Insurance Commissioner and MHCC are confidential and privileged.

ACOs were authorized by the federal Patient Protection and Affordable Care Act to reduce medical costs in the Medicare program by creating a network of doctors and hospitals that share financial and medical responsibility for providing coordinated care to Medicare patients with the goal of reducing unnecessary spending.

Background: According to the University of Maryland Medical System, FTC staff issues advisory opinions to help clarify FTC rules and decisions, often in response to requests from businesses and industry groups. However, FTC staff is not required to issue an advisory opinion upon request. FTC has issued a total of five advisory opinions related to clinically integrated networks (CINs); however, nationally, an estimated 40 to 60 CINs operate under the guidance established by previous advisory opinions.

According to the Maryland Insurance Administration (MIA), the bill permits an entity to meet the definition of a CIO without an advisory opinion from FTC or a determination from the Commissioner. To date, MIA has not received any filings from carriers wanting to contract with a CIO.

Additional Information

Prior Introductions: None.

Cross File: HB 1637 (Delegate Hayes) – Health and Government Operations.

Information Source(s): Department of Health and Mental Hygiene, Maryland Health Benefit Exchange, Maryland Insurance Administration, University of Maryland Medical System, Department of Legislative Services

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md/ljm

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