



February 6, 2025

The Honorable Joseline A. Pena-Melnyk  
Chair, Health and Government Operations Committee  
House Office Building, Room 241  
6 Bladen St., Annapolis, MD 21401

**Re: HB 418 - Health Maintenance Organizations - Payments to Nonparticipating Providers - Reimbursement Rate**

Dear Chair Pena-Melnyk and Members of the Committee,

The Maryland Health Care Committee (MHCC) is submitting this letter of information on *HB 418 - Health Maintenance Organizations - Payments to Nonparticipating Providers - Reimbursement Rates*. This bill changes the reimbursement rate at which health maintenance organizations (HMOs) must pay specific nonparticipating health care providers for services. This legislation partially aligns the current HMO law with the Preferred Provider Organizations (PPO) law by adding a reference date (January 31, 2019) in the HMO law from which the insurer must base calculations for out-of-network (OON) payments to providers. The 125% of the average rate paid by HMOs will be inflated by the change in the Medicare Economic Index (MEI) from 2019 to the current year. The current HMO law only references 125% of the average rate the HMO paid as of January 1<sup>st</sup> of the previous calendar year.

In Maryland, payments to nonparticipating providers by HMOs and PPOs are governed by two distinct statutes, Health-General Article § 19-710.1<sup>1</sup> and Insurance Article § 14-205.2<sup>2</sup>. Each statute establishes unique methodologies that impact provider reimbursements and patient out-of-pocket costs for identical services. HMOs and PPOs have distinct approaches to OON coverage. HMOs generally restrict coverage to in-network providers, offering OON benefits only in emergencies or when subscribers can demonstrate that no suitable in-network provider is available. These exceptions typically involve highly specialized conditions where few specialists maintain significant control over access to their services. Maryland law establishes reimbursement rates for specific hospital and emergency services in these situations.

In contrast, PPOs offer defined OON benefits, allowing patients to routinely access non-participating providers, though Maryland law regulates reimbursement rates for certain services. OON claims represent a relatively small percentage of total claims across both HMO and PPO

---

<sup>1</sup> [https://mgaleg.maryland.gov/2025RS/Statute Web/ghg/19-710.1.pdf](https://mgaleg.maryland.gov/2025RS/Statute/Web/ghg/19-710.1.pdf).

<sup>2</sup> [https://mgaleg.maryland.gov/2025RS/Statute Web/gin/14-205.2.pdf](https://mgaleg.maryland.gov/2025RS/Statute/Web/gin/14-205.2.pdf).

plans, though PPOs consistently show higher OON compared to HMOs. Overall, about .6% of HMO practitioners claim and 1.6% of PPO claims are paid under OON arrangements.

In a recent study done by MHCC at the request of the Maryland House Health and Government Operations Committee (HGO) to examine the impact of payment methodologies for nonparticipating providers in HMO and PPO plans, results showed that the distribution of OON claims revealed differences between HMO and PPO plans across various provider specialties and settings. The study showed that adopting PPO payment rules for HMO OON services would yield higher reimbursements across most specialties, particularly for hospital-based services.<sup>3</sup> Although, the study found that PPO payment formula would yield higher rates than the current HMO formula. The change will not yield parity, all OON rates are largely derived from current or historic in-network rates. The MHCC analyses show HMO in-network rates are lower than PPO in-network rates, thus the OON rates will be lower even when the same formula are applied.

The MHCC study also examined the role of the No Surprises Act (NSA) on OON. The MHCC determined that the NSA had a limited impact on OON payments, mainly because Maryland's existing laws continue to apply for most fully insured health care services. The NSA fills gaps in Maryland's law by covering self-funded ERISA plans, which states cannot regulate. In cases where Maryland's law specifies OON payment amounts these rates generally supersede the NSA provisions for determining patient cost-sharing and provider reimbursement. An analysis of the Independent Dispute Resolution data shows that providers and/or facilities win most of the payment disputes.

A Network Contact Terminations a survey of health insurance carriers from 2019 to 2023 showed that most contract terminations were initiated by providers. Additionally, the majority of these terminations came from behavioral health providers.

We appreciate your consideration. If you have any questions, please do not hesitate to contact me at [dsharp@maryland.gov](mailto:dsharp@maryland.gov) or Ms. Tracey DeShields, Director of Policy Development and External Affairs, at [tracey.desields2@maryland.gov](mailto:tracey.desields2@maryland.gov) or 410-764-3588.

Sincerely,



David Sharp,  
Acting Executive Director

cc: The Honorable Nicholas R. Kipke, Health and Government Operations Committee

---

<sup>3</sup> MHCC notes that HMOs' OON payments in non-hospital settings are quite rare. It is possible these payments were higher than required in Maryland law because the HMO negotiated a OON payment rate directly with the non-participating provider.

