

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 230

(Chair, Finance Committee)(By Request - Departmental -
Insurance Administration, Maryland)

Finance

Health and Government Operations

Insurance - Maryland Health Care Provider Rate Stabilization Fund

This departmental bill requires a medical professional liability insurer seeking reimbursement from the Rate Stabilization Account (RSA) on behalf of health care providers to apply for reimbursement by September 30, 2012. The Department of Health and Mental Hygiene (DHMH) rather than the Maryland Insurance Administration (MIA) is required to report annually by March 15 to the Legislative Policy Committee on the amount of money distributed to Medicaid and the amount of increase in rates for both fee-for-service providers and managed care organizations (MCOs). The requirement for an annual audit of the information submitted by medical professional liability insurers applying for reimbursement and the requirement that the Office of Legislative Audits conduct an annual audit of the Rate Stabilization Fund are repealed.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: The bill's reporting requirement can be handled within existing DHMH budgeted resources. No fiscal impact on MIA. No effect on revenues.

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law/Background: Medical malpractice insurance premiums increased dramatically between 2002 and 2005. In response, Chapter 1 of the 2005 special session established the Maryland Health Care Rate Stabilization Fund. The fund receives money from the 2% premium tax imposed on health maintenance organizations and Medicaid MCOs and was established to retain health care providers in the State by allowing insurers to charge lower premium rates for medical professional liability insurance and increasing Medicaid payment rates. Historically, money in the fund has been transferred to one of two accounts: (1) RSA to pay authorized medical professional liability insurance premium subsidies on behalf of eligible health care providers; and (2) the Medical Assistance Program Account (MAPA) to fund the Medicaid program.

Exhibit 1 displays revenues to RSA and subsidies paid from the account in calendar 2005 through calendar 2011. According to MIA, the premium subsidy program is essentially complete. Monies were last allocated to pay premium subsidies in calendar 2008, no premium subsidy payments were made during calendar 2011, and no further subsidy requests are anticipated. Although revenues paid to RSA exceed subsidies paid by a total of \$77.3 million, these excess revenues were transferred to MAPA.

Exhibit 1 Rate Stabilization Account: Revenues and Subsidies Paid Calendar 2005-2011

<u>Calendar Year</u>	<u>Revenues to RSA</u>	<u>Subsidies Paid</u>
2005	\$52.0 million	\$29.6 million
2006	\$45.0 million	10.0 million
2007	\$35.0 million	23.9 million
2008	\$25.0 million	10.0 million
2009	-	5.4 million
2010	-	0.8 million
2011	-	-
Total	\$157.0 million	\$79.7 million

Source: Maryland Insurance Administration

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Health Claims Alternative Dispute Resolution Office,
Department of Health and Mental Hygiene, Maryland Insurance Administration,
Department of Legislative Services

Fiscal Note History: First Reader - February 13, 2012
ncs/mwc Revised - Senate Third Reader - March 27, 2012

Analysis by: Jennifer B. Chasse

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

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Insurance – Maryland Health Care Provider Rate Stabilization Fund

BILL NUMBER: SB 230

PREPARED BY: Maryland Insurance Administration

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.