



BILL NO.: House Bill 147

TITLE: Health Insurance – Assignment of Benefits and Reimbursement of Non Preferred Providers

POSITION: **OPPOSE**

DATE: February 25, 2010

COMMITTEE: Health and Government Operations

CONTACT: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** House Bill 147. This bill would authorize an insured individual to assign his or her benefit to a non-preferred provider, effectively allowing the non-preferred provider to bill the insurance carrier directly. This practice raises concerns as it could have the unintended consequences of increasing administrative fees and eroding network discounts.

Local governments and other employers offer health benefits to employees through provider networks. These networks could be a Health Management Organization (HMO) or a Preferred-Provider Network. The advantage of utilizing such a network is that it offers a discounted fee schedule in exchange for the increased chance that a participant uses the provider's services. This practice decreases costs for both the employer and employee.

One incentive for the employee to use an "in-network" provider is that the insurance company takes responsibility for billing if an "in-network" provider is used. If an "out-of-network" or non-preferred provider is used, the employee must pay the provider directly and the employee is then reimbursed at the discounted network rate. If this incentive is removed and non-preferred providers bill insurance companies directly, it may encourage employees to seek out-of-network providers, essentially eroding the value of being "in-network" and the willingness to offer a discounted fee. This practice would increase the cost of employee health care for local jurisdictions, further exacerbating one of the most troubling elements of managing public budgets. This change could cost some counties millions of dollars each year.

MACo understands that the Maryland Insurance Administration is offering an amendment so that the provisions of HB 147 would not apply to HMOs. If this amendment is adopted by the Committee, local government's concerns will be addressed. However, in its present form, MACo urges the Committee to issue an **UNFAVORABLE** report on HB 147.