

MedChi

The Maryland State Medical Society

1211 Cathedral Street
Baltimore, MD 21201-5516
410.539.0872
Fax: 410.547.0915

1.800.492.1056

www.medchi.org

TO: The Honorable Thomas Mac Middleton, Chair
Members, Senate Finance Committee
The Honorable Shawn Tarrant

FROM: Joseph A. Schwartz, III
Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman

DATE: April 1, 2014

RE: **SUPPORT** – House Bill 1127 – *Health Insurance – Incentives for Health Care Practitioners*

The Maryland State Medical Society (MedChi), which represents more than 8,000 Maryland physicians and their patients, supports House Bill 1127.

House Bill 1127 would repeal Maryland’s current law which has regulated the “bonus” practices of health insurers since it was enacted in the late 1990s. The current law allows health insurers to give bonuses to doctors as long as the bonus “...is not based on the cost or number of medical services...without reference to the medical appropriateness or necessity of the services.” This provision was added by the House Economic Matters Committee, then chaired by the current Speaker, and was designed to outlaw inappropriate practices that were current at that time (e.g., doctor given a bonus if he could encourage a mom/new baby to leave the hospital in 24 hours as opposed to 48 hours).

The difficulty with the current law is that it is not artfully worded so that it can be construed to outlaw bonuses which are medically appropriate and which are a positive benefit to patients. In its original iteration, MedChi opposed House Bill 1127 which appeared to open the door to the “inappropriate” bonuses which the law had been designed to end. However, as a result of multiple meetings with the stakeholders, the current version of House Bill 1127 was fashioned. In its current form, the bill specifically provides that bonuses are allowed which do “...not create a disincentive to the provision of medically appropriate or medically necessary healthcare services; ...” (page 3, lines 1-3). Additionally, bonuses shall

only be allowed if they are agreed on in writing by the carrier and healthcare practitioners to

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outline the performance measures involved and the method for calculating whether such measures have been satisfied (page 3, lines 23-32). Additionally, a carrier may not require a doctor to participate in the bonus program as a condition of participating in the carrier's network. Finally, a doctor may file a complaint with the Maryland Insurance Administration regarding a violation of the new law.

As amended, MedChi supports House Bill 1127. The bill clarifies the existing language which is somewhat obtuse; it continues the prohibition that bonuses may not create a "disincentive" to the provision of medically appropriate care; it requires a written document to reflect the voluntary bonuses agreed to between the carrier and the doctor and, finally, it provides an important enforcement mechanism where a doctor or the doctor's designee may file a complaint about inappropriate bonuses.

MedChi would urge a favorable report on House Bill 1127.

For more information call:

Joseph A. Schwartz, III
Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman
410-244-7000