

# MedChi

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TO: The Honorable Thomas M. Middleton, Chair  
Members, Senate Finance Committee

FROM: Danna L. Kauffman  
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DATE: February 4, 2015

RE: **SUPPORT** – Senate Bill 92 – *Health Insurance – Assignment of Benefits and Reimbursement of Nonpreferred Providers – Repeal of Termination Date*

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The Maryland State Medical Society (MedChi), which represents more than 8,000 Maryland physicians and their patients, strongly supports Senate Bill 92, which makes the assignment of benefits law permanent by repealing the 5-year sunset.

In 2010, as a result of reports of patients paying exceptionally high out-of-pocket expenses for care rendered in hospital settings by out-of-network providers, the General Assembly passed MedChi initiated legislation relating to the assignment of benefits (AOB). An AOB is the transfer of health care coverage reimbursement benefits or other rights under a preferred provider organization (PPO) insurance policy by an insured. Under the law, a health insurer under a PPO policy cannot refuse to honor an AOB to a health care provider. A health care provider is not required to accept an AOB, but if they do, the legislation establishes certain payment floors and disclosure requirements.

Opponents of the original legislation argued that the law would be administratively challenging for patients and payers and would cause a deterioration of payer networks. Therefore, the law required the Maryland Health Care Commission to study: (1) the benefits and costs associated with the direct reimbursement of nonparticipating providers by carriers under a valid AOB; (2) the impact of enacting a cap on balance billing for non-preferred, on-

call or hospital-based physicians; (3) the impact on consumers of prohibiting carriers from refusing to accept a valid AOB; and (4) the impact of requiring direct reimbursement of nonparticipating providers by carriers on their networks. Following completion of the study, the Commission concluded in its January 15, 2015, report that the law achieved its intended purpose. According to the study: (1) the financial burden on patients from out-of-network service use was lessened; (2) income uncertainty for providers included in the legislation was likely reduced due to less reliance on balance billing for payments; and (3) there was no evidence that provider participation rates in commercial networks systematically declined. Therefore, the Commission concluded that the law should be made permanent.

The “war” of 2010 appears to have ended, in T.S. Eliot’s words, “...not with a bang but with a whimper.” MedChi urges a favorable report on Senate Bill 92.

**For more information call:**

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