TO: The Honorable Peter A. Hammen, Chair
   Members, House Health & Government Operations Committee
   The Honorable Wade Kach

FROM: Joseph A. Schwartz, III
      Pamela Metz Kasemeyer
      J. Steven Wise
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DATE: February 20, 2014

RE: SUPPORT – House Bill 709 – Health Insurance – Assignment of Benefits and
   Reimbursement of Nonpreferred Providers – Repeal of Reporting Requirement
   and Termination Date

The Maryland State Medical Society (MedChi), which represents more than 8,000
Maryland physicians and their patients, supports House Bill 709.

In 2010, the General Assembly passed MedChi initiated legislation relating to the
Assignment of Benefits (AOB). The passage of the AOB law in 2010 was the conclusion of
a multi-year effort to allow patients to “assign” their benefits to a doctor who did not
participate in a particular insurance network. Health insurers had succeeded in defeating the
law in earlier years but were unsuccessful in 2010 when an amended version was passed.

The amended version which was acceptable to the General Assembly (but not to the
insurers), was crafted by the then Maryland Insurance Commissioner and provided that
patients may “assign” their benefits to a doctor and that the insurance carriers would have to
honor that assignment. With respect to hospital based doctors and on-call physicians, while
the assignment would be allowed, those physicians would have to accept a statutory rate of
reimbursement and could not balance bill any other amount to the patient. The statutory rate
was the greater of (1) 140% of the insurer’s average contract rate for the same service or (2)
the average amount the insurer paid to its non-contracted doctors for the same service.

Despite the arguments of health insurance lobbyists in 2010 to the effect that the AOB
law would completely disrupt provider networks, such has not been the case. As passed in
2010, the law contained a five year sunset and called for a report to be done by the Maryland Health Care Commission (MHCC) on or before October 1, 2014. This “final” report was to complement a report done by the MHCC on the law on or before July 1, 2012.

House Bill 709 removes the sunset on the AOB which currently ends on September 30, 2015. Since the AOB law has been accepted without any disruption in the last four years, MedChi believes that it is appropriate to make it a permanent statute. Removing the sunset at this time will also relieve the MHCC of doing a report on the law when there seems to be no practical basis for this requirement. 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 House Bill 709.

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