

FISCAL NOTE

HB 3050 - SB 3022

March 18, 2006

SUMMARY OF BILL: Requires a health insurance entity to reimburse a health care provider at in-network rates retroactive to the date the health insurance entity received a completed credentialing application from the health care provider.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$363,000

Increase Local Govt. Expenditures – Exceeds \$100,000*

Other Fiscal Impact – Increase Federal Expenditures – Exceeds \$637,000

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation will increase premiums because health insurance plans will have to pay providers higher rates before approval as a member of the network. Such is estimated to exceed \$100,000.

Assumptions:

- TennCare managed care organizations (MCOs) would be required to pay providers at higher rates before approval as a member of the network.
- The MCO management information systems would require modifications to integrate claims and credentialing systems.
- The combination of increased reimbursement to providers and additional system expense for MCOs will result in increased expenditures exceeding \$1,000,000 (\$363,000 in state funds and \$637,000 in federal funds at a match rate of .63735).
- The state and local govt. health plan options pay out-of-network benefits based on the maximum allowable charge (MAC) and would have no effect on claims costs.
- Local govt. health plans that are not part of the state health plans and that do not pay out-of-network benefits based on MAC would have an increase in expenditures exceeding \$100,000.
- The Department of Commerce and Insurance currently monitors timely filing provisions and reimbursements for commercial and TennCare health insurance claims. Any increase could be absorbed within existing resources.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and "W".

James W. White, Executive Director