TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

SB 726 – HB 859

March 27, 2014

SUMMARY OF ORIGINAL BILL: Prohibits a health insurance entity from imposing any copayment or coinsurance amount on a covered person for services rendered during an office visit to a licensed chiropractic physician, licensed physical therapist, or licensed occupational therapist that is greater than the copayment or coinsurance amount for services rendered in an office visit by a licensed primary care physician. "Health insurance entity" is defined as an entity subject to the insurance laws of this state, or subject to the jurisdiction of the Commissioner of Commerce and Insurance, that contracts or offers to contract to provide health insurance coverage, including, but not limited to, an insurance company, a health maintenance organization and a nonprofit hospital and medical service corporation. "Coinsurance" is defined as a percentage of the contractual fee schedule applicable to a particular health care provider that a covered person must pay for covered services rendered by that provider under the terms of a particular health insurance policy or plan. "Copayment" is defined as the specified dollar amount that a covered person must pay for covered services during a visit to a health care provider under the terms of a particular health insurance policy or plan.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Not Significant

Increase Local Expenditures – Not Significant

Other Fiscal Impact – The bill could increase state and local expenditures relative to benefits for public employees and retired public employees beginning in FY15-16. A quantifiable fiscal impact of the bill on the plans administered by Benefits Administration cannot be determined due to multiple unknown factors that could affect the impact, including federal health care requirements and the plan options and rates available to Benefits Administration at the time the existing contracts expire.

SUMMARY OF AMENDMENT (015204): Deletes all language after the enacting clause. Requires a health insurance entity that offers employer-based plans to offer an employer no less than one plan option in which the copayment and coinsurance amounts for services rendered during an office visit to a licensed chiropractic physician, a licensed physical therapist, or a licensed occupational therapist that are no greater than the copayment or coinsurance amount for services rendered in an office visit by a licensed physician. Compliance with the provisions of the bill as amended are not required by an insurance plan if it is determined that

compliance would cause the plan to lose its status as a grandfathered health plan under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act. Applies to all contracts with health insurance entities which are entered into on or after January 1, 2015.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

NOT SIGNIFICANT

Assumptions for the bill as amended:

- According to the Department of Commerce and Insurance, any increase in expenditures resulting from inquiries regarding this requirement will be not significant and can be accommodated within the existing resources of the Department without an increased appropriation or reduced reversion.
- The state sponsored health plans under the Department of Finance and Administration, Division of Benefits Administration, are not included in the definition of "health insurance entity"; therefore, it is assumed that the provisions of the bill will not fiscally impact the Division.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Other Fiscal Impact on Commerce and Jobs – A quantifiable fiscal impact of the bill as amended on commerce and jobs cannot be determined due to a lack of data including information regarding the specific plan options and rates available to private employers in this state and the effect of the amount of copayment or coinsurance on the volume of services described in the bill.

Assumptions for the bill as amended:

- Currently, a higher copayment or coinsurance rate may be imposed by health insurance plans for services provided to covered individuals by chiropractic physicians, licensed physical therapists, or licensed occupational therapists than for services provided by a licensed primary care physician.
- According to a Kaiser Health News article (http://www.kaiserhealthnews.org), higher copayments or coinsurance rates on specified services may be used to lower overall premiums. Increased costs could be incurred by private employers who contribute to payment of their employees' health care due to increased premiums or increased service utilization.
- An indeterminable number of jobs could be lost or not created due to employers' increased costs. According to information posted on websites by the Tennessee Chiropractic Association (http://www.tnchiro.com) and the American Physical Therapy Association (http://www.apta.org/StateIssues/FairCopays), these health care service

providers may be designated as a specialist by a health insurance plan for purposes of determining copayments or coinsurance rates. The associations assert that the reimbursement amount received by the health care service provider may be close to the copayment or coinsurance rate unlike higher reimbursement amounts received by other "specialist" health care providers.

- The associations assert that this discrepancy results in a greater cost shift to a covered individual which will reduce access to the health care services in question and may decrease the financial viability of some health care providers' offices. An indeterminable number of jobs could be created or not lost due to increased access to certain health care services.
- A quantifiable impact of the bill as amended on commerce and jobs cannot be determined due to a lack of data including information regarding the specific plan options and rates available to private employers in this state and the effect of the amount of copayment or coinsurance on the volume of services described in the bill as amended.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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