

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 556 - SB 888**

March 19, 2013

**SUMMARY OF BILL:** Establishes that any authorization provided by a health insurer or a radiology benefits manager (RBM) for performing a diagnostic radiology test is conclusive to satisfy any requirement of medical necessity in a health insurer's policy, plan, or schedule of benefits, and any subsequent claim filed with a health insurer or RBM cannot be denied.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$836,600**

**Increase Local Expenditures – \$200\***

Assumptions:

- According to The Department of Finance and Administration's Division of Benefits Administration, this legislation will impact the state sponsored plans for public sector employees from reviewing claims to determine if the patient is still covered by the plan when the service is rendered and if the medical condition at the time the diagnostic test is rendered supports the initial medical necessity determination.
- In FY11-12, the Division was able to recoup approximately 18 diagnostic tests for a total savings of \$12,319.
- Due to this legislation, the Division estimates that 10 claims will not be recouped, resulting in an increase in expenditures of \$5,055.
- According to the Department of Finance and Administration, Benefits Administration, the State Employee, Local Education, and Local Government health plans will incur this increase in expenditures across three plans.
- This amount is applied to the three plans as follows:
  - State Employee Health Plan is \$2,730 ( $\$5,055 \times 0.54$ );
  - Local Education Plan is \$1,971 ( $\$5,055 \times 0.39$ );
  - Local Government Plan is \$354 ( $\$5,055 \times 0.07$ ).
- The state covers 80 percent of the employees' health costs in the State Employee Health Plan resulting in an increase in state expenditures of at least \$2,184 ( $\$2,730 \times 0.80$ ).
- The state portion of the Local Education Plan is 45 percent for Local Education instructional staff which is approximately 75 percent of LEA employees and 30 percent for support staff which is approximately 25 percent of LEA staff. The increase in state

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expenditures is estimated to be at least \$813 [(\$1,971 x 0.75 x 0.45) + (\$1,971 x 0.25 x 0.30)].

- Each local government that participates in the state sponsored health plan is responsible for paying a percentage of the costs which is determined by the local government. It is assumed that local governments will contribute at least 50 percent of the cost resulting in an increase in local expenditures that will exceed \$177 (\$354 x 0.50).
- According to the Bureau of TennCare, federal regulations do not allow TennCare to pay for these services, resulting in all incurred expenditures being state funded.
- According to TennCare, this will prevent an MCO from denying a claim if TennCare is the secondary payer. This would prevent recoupment of payments for services provided to ineligible radiology diagnostic testing.
- In FY11-12, the TennCare recouped a total of approximately \$83,357,800 from such ineligible payments.
- TennCare estimates that this legislation will result in a one percent decrease in recouped payments, resulting in an increase in state expenditures of approximately \$833,578 (\$83,357,800 x 0.01).
- The estimated total increase in state expenditures is at least \$836,575 (\$2,184 + \$813 + \$833,578).
- The estimated total increase in local expenditures is at least \$177.

*\*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:**

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



Lucian D. Geise, Executive Director

/jdb