

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 551 - SB 1080

March 11, 2015

SUMMARY OF BILL: Enacts the “Cost Accountability and Verification Act” which requires all health insurance carriers to establish a toll-free telephone number and website that will provide, when requested by an insured, the estimated amount for a proposed admission, procedure, or service and the estimated amount the insured will be responsible to pay for a proposed admission, procedure, or service that is a medically necessary covered healthcare benefit based on the information available to the carrier at the time the request is made. The request must be answered within two business days and include any facility fee, copayment, deductible, coinsurance, or other out-of-pocket amount for the covered benefit.

Requires a healthcare provider, upon the request of a patient or prospective patient, to disclose the allowed amount for an admission, procedure, or service within two business days of the request. If a healthcare provider is unable to quote a specific amount in advance due to the healthcare provider’s inability to predict the specific treatment or diagnostic code, the healthcare provider shall disclose to the patient or prospective patient the estimated amount for the proposed admission, procedure, or service. The healthcare provider shall provide sufficient information, upon request by a patient, for the patient to use the carrier’s toll-free telephone number and website.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$988,000/FY15-16

\$1,206,900/FY16-17 and Subsequent Years

Increase Federal Expenditures - \$1,202,000/FY15-16

\$1,025,300/FY16-17 and Subsequent Years

Assumptions:

- The Department of Commerce and Insurance will be responsible for enforcing the provisions of the bill related to health insurance carriers. This enforcement will be accomplished through the investigation of any complaints against health benefit plans. This requirement will not significantly increase the department’s workload; therefore, any fiscal impact is not significant.
- The Department of Health currently regulates over 1,800 health care facilities and logs over 2,000 complaint investigations on those facilities annually. There are a large number of complaints regarding facility billing practices, but the Department does not have authority to investigate such complaints and so they are not logged.

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- Due to the requirements in the bill requiring healthcare facilities to respond to patients' requests for anticipated costs of admissions and procedures within two business days, the Department of Health estimates complaints will increase by at least 1,800. The Department will need at least one additional Public Health Nurse Consultant I position for each of the three regional offices.
- The recurring increase in expenditures for these three positions is estimated to be \$277,620 [3 positions x (\$66,336 salaries + \$21,371 benefits + \$4,833 miscellaneous)]. One-time office and computer expenditures are estimated to be \$13,600 for the three positions.
- Based on information provided to the Bureau of TennCare by the managed care organizations (MCOs) contracted with the state, there will be costs incurred by all three plans to update existing functionality, user interface, and data management. For all three plans, expenditures are estimated to be \$1,060,000 one-time and \$1,576,533 recurring.
- These funds will receive a federal match of 65.035 percent resulting in state funds of 34.965 percent.
- The increase in state funds is estimated to be \$370,629 one-time ($\$1,060,000 \times 0.34965$) and \$551,235 recurring ($\$1,576,533 \times 0.34965$).
- The increase in federal funds is estimated to be \$689,371 one-time ($\$1,060,000 \times 0.65035$) and \$1,025,298 recurring ($\$1,576,533 \times 0.65035$).
- The Department of Finance and Administration, Division of Benefits Administration, received projected increased costs from one of its carriers. The carrier will most likely pass the additional \$4,200,000 administrative costs incurred onto its customers. The state would be responsible for approximately nine percent of the total increased costs to this carrier resulting in an increase in state expenditures of \$378,000 ($\$4,200,000 \times 0.09$).
- The bill will take effect January 1, 2016; therefore, all one-time expenditures and 50 percent of recurring expenditures will be realized in FY15-16.
- Total increase in state expenditures in FY15-16 is estimated to be \$987,954 $\{\$13,600 + \$370,926 + [(\$277,620 + \$551,235 + \$378,000) \times 0.50]\}$.
- Total increase in state expenditures in FY16-17 and subsequent years is \$1,206,855 ($\$277,620 + \$551,235 + \$378,000$).
- Total increase in federal expenditures in FY15-16 is estimated to be \$1,202,020 [$\$689,371 + (\$1,025,298 \times 0.50)$].
- Total increase in federal expenditures in FY16-17 and subsequent years is \$1,025,298.

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds \$3,000,000

Increase Business Expenditures – Exceeds \$3,000,000

Assumptions:

- Health insurance carriers and health care providers will incur additional one-time and recurring expenditures to make the necessary changes to the current functionality and

user interfaces. There will also be additional administrative costs to meet the requirements of the bill.

- It is unknown the exact amount of expenditures that will be incurred by these businesses, but it is assumed that it will exceed the total amount of state and federal expenditures to the TennCare and state employee health plans of \$3,014,533 since these expenditures will be paid to these entities to cover the state portion of the carriers costs.
- It is reasonably assumed that any increase in expenditures will be passed on to the consumers, resulting in a corresponding increase in business revenue of at least \$3,014,533.

CERTIFICATION:

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



Jeffrey L. Spalding, Executive Director

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