TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 35 - SB 35

February 23, 2017

SUMMARY OF BILL: Requires any individual or group health insurance policy providing coverage on an expense-incurred basis, every policy or contract issued by a hospital or medical service corporation, every individual or group service contract issued by a health maintenance organization, and every self-insured group arrangement that is delivered, issued for delivery, or renewed in this state on or after January 1, 2018, to provide coverage for a breathing and heart rate monitor for every infant covered by the policy or contract.

This insurance mandate is not applicable to insurance coverage providing benefits for the following: hospital confinement indemnity; disability income; accident only; long term care; Medicare supplement; limited benefit health; specified disease indemnity; sickness or bodily injury or death by accident, or both; other limited benefit policies; and TennCare or any successor program.

This provisions of the bill shall take effect January 1, 2018, and will apply to policies or contracts issued, renewed, or entered into on or after such date.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $202,500/FY17-18
$405,000/FY18-19 and Subsequent Years

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation will result in an increase in the cost of health insurance premiums for breathing and heart monitors being provided by plans that do not currently offer these benefits at the proposed mandated levels. It is estimated that the increase to each individual's total premium will be less than one percent. A one percent increase in premium rates could range between $50 (single coverage) and $140 (family coverage) depending on the type of plan.

Assumptions:

- The TennCare program is excluded from the provisions of the bill.
- Pursuant to Section 1(c) of this bill, this bill cannot preclude an insurer from conducting managed care, medical necessity, or utilization review, or preventing the operation of policy provisions such as deductibles, coinsurance, allowable charge limitations, and coordination of benefits or provisions restricting coverage to services by licensed, certified, or carrier-approved providers or facilities.

- The Department of Finance and Administration, Benefits Administration administers state-provided insurance benefits for state government employees, higher education employees, employees of opted-in local K-12 school systems, and certain local government employees.
- State plans administered by the Benefits Administration currently have policies in place for providing heart rate monitors to policyholders; therefore, it is estimated that there will be no significant impact upon plans administered by Benefits Administration.
- Based on information provided by the Department of Commerce and Insurance (TDCI), this bill will require the TDCI to review provider contracts and investigate provider complaints; however, any additional responsibilities can performed utilizing existing staff during normal work hours.
- Pursuant to the federal Department of Health and Human Services' (HHS) final rules related to essential health benefits (EHB), explained on May 9, 2013, states are required to defray the cost of benefit mandates enacted after December 31, 2011, that require coverage of benefits by qualified health plans (QHPs) that exceed benefits included in a state's EHB benchmark plan.
- The federal rules apply to QHP markets.
- The requirement to defray the cost of additional benefits applies to all QHPs, including QHPs offered outside of the Marketplace.
- This state will be required to defray the cost of benefits required in this bill because the benefits mandated by this bill exceed those provided under Tennessee's EHB benchmark plan.
- It is estimated that there will be approximately 375,000 Tennesseans enrolled in QHPs in Tennessee during FY17-18.
- Based on information provided by the TDCI, a carrier currently offering QHPs in Tennessee provide an estimate of $1.08 per member annually which the state would be required to reimburse insurers for the mandate provided in this bill.
- This mandate will only apply to half of FY17-18 due to the effective date of January 1, 2018.
- An increase in state expenditures of $202,500 (375,000 x $1.08 x 50 percent for ½ year) in FY17-18.
- A recurring increase in state expenditures of $405,000 (375,000 x $1.08) beginning in FY18-19.

IMPACT TO COMMERCE:

Other Impact to Commerce - Due to a number of unknown factors, a precise impact to commerce and jobs cannot be quantified. The net impact to insurance and healthcare industry participants is estimated to be positive. The net impact to other businesses, based on adjusted insurance premiums, is estimated to be negative.

Assumptions:

- This bill will result in additional costs for insurance companies offering policies of healthcare which currently exclude coverage for breathing and heart monitors.
- Any increase in costs will be passed down to policyholders through increased premiums.
- Businesses in this state are estimated to experience an increase in expenses due to adjusted insurance premiums for which the cost will be shared by employers and employees.

CERTIFICATION:

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

Krista M. Lee

Krista M. Lee, Executive Director

/jdb