

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 697 - HB 1091

March 18, 2017

SUMMARY OF BILL: Prevents any health maintenance organization (HMO) or a subcontractor of the HMO from denying payment of benefits covered by the TennCare program provided by primary care providers, including through a provider's supervision of auxiliary personnel. Further specifies that an HMO or subcontractor of an HMO is prohibited from denying payment for preventative and diagnostic services provided by primary care providers, including services for the provision and supervision of allergy testing, allergen immunotherapy, asthma diagnosis and treatment, routine and wellness examinations, and other similar services falling within the scope of a primary care provider's license or certification. The provisions of this bill shall become effective upon becoming law.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$55,272,800

Increase Federal Expenditures - \$105,427,200

Assumptions:

- This legislation will not impact any state employee, local education, or local government plans administered by the Department of Finance and Administration, Division of Benefits Administration, as the Division does not contract with any HMOs for healthcare services.
- Utilization review agents for these HMOs ensure appropriate utilization review (UR) of all medically necessary, covered services.
- The provisions of this legislation will restrict the ability of UR agents to perform UR, resulting in a decrease in cost savings that have historically been realized from UR.
- Based on information provided by the Bureau of TennCare, this legislation is estimated to result in a 2.5 percent increase in state and federal medical spending.
- In FY15-16, total medical spending for the Bureau was \$6,428,000,000.
- A recurring increase in costs to TennCare plans of \$160,700,000 (\$6,428,000,000 x 2.5%).
- This amount will be expended at a state rate of approximately 34.395 percent and will receive federal matching funds at a rate estimated to be 65.605 percent.
- The recurring increase in state expenditures is estimated to be \$55,272,765 (\$160,700,000 x 34.395%).

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- The recurring increase in federal expenditures is estimated to be \$105,427,235 (\$160,700,000 x 65.605%).

IMPACT TO COMMERCE:

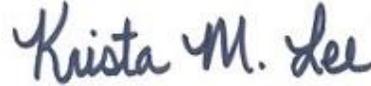
Increase Business Expenditures - \$5,000,000

Assumptions:

- This legislation will have a negative impact on health insurance companies in this state, as it will prevent such companies from applying UR to effectively deny service or treatment which is determined not to be medically necessary.
- Due to numerous unknown factors, including but not limited to, the number of insurance companies in this state which employ UR agents, the number of denials which result from UR, and the subsequent cost savings realized by such companies, an impact to such companies cannot be determined with any reasonable certainty; however, the recurring increase in business expenditures to such plans is reasonably estimated to exceed \$5,000,000 statewide.

CERTIFICATION:

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



Krista M. Lee, Executive Director

/jdb