TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 1609 – HB 2045

February 7, 2018

SUMMARY OF BILL: Prohibits a health or managed health insurance issuer from: (1) denying certain medical equipment providers the right to participate in similarly situated health plans and (2) denying beneficiaries the right to select such durable medical equipment (DME) providers in certain situations.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $1,390,800

Increase Federal Expenditures - $2,161,800

Increase Local Expenditures – Exceeds $45,700*

Assumptions:

- According to the Division of TennCare, requiring participating MCOs to contract with DME suppliers that meet the criteria established by the legislation will impact TennCare program expenditures.
- A managed care system is one in which an insurer can negotiate pricing and utilization by contracting with a select number of providers at a lower cost point in return for providing a larger volume of business. An "any willing provider" system can limit the MCOs ability to negotiate price based on volume of business.
- An "any willing provider" system can also impact the authorization requirements necessary to ensure that recipients do not access overlapping or duplicative services from multiple providers offering similar services.
- Based on information provided by the Division, the provisions of the proposed legislation can be expected to increase costs by 2.5 percent.
- In FY16-17, the Division expended $131,302,446 for DME equipment.
- It is estimated that the Division will incur at least a 2.5 percent increase in DME equipment costs which will result in an increase in expenditures of $3,282,561 ($131,302,446 x 2.5%).
- Medicaid expenditures receive matching funds at a rate of 65.858 percent federal funds to 34.142 percent state funds. Of the estimated $3,282,561 amount, $1,120,732 ($3,282,561 x 34.142%) will be state funds and $2,161,829 ($3,282,561 x 65.858%) will be federal funds.

- According to the Department of Finance and Administration, Benefits Administration, the State Employee, Local Education, and Local Government health plans will incur increases in DME expenditures of at least five percent.
- It is estimated that 52 percent of members are on the state plan, 39 percent are on the Local Education Plan, and the remaining 9 percent of members are in the Local Government Plan.
- In FY16-17, the state's share of DME expenditures was $5,402,087 in the State Employee Plan and the Local Education Plan. It is estimated that Benefits Administration will incur increased expenditures of $270,104 ($5,402,087 x 5.0%).
- The total increase in state expenditures is estimated to be at least $1,390,836 ($1,120,732 + $270,104).
- In FY16-17 the Local Government's expenditures for DME equipment were $913,569. The state does not contribute to the Local Government Plan; any increase in expenditures will be entirely absorbed by the participating agencies and their members.
- It is estimated the Local Government Plan would be responsible for a mandatory increase in local expenditures estimated to be $45,678 ($913,569 x 5.0%).
- It is unknown the impact on local governments that do not opt into the Local Government Plan; therefore, the total increase in local expenditures is estimated to exceed $45,678.
- The Department of Commerce and Insurance (DCI), the Insurance Division, can accommodate the investigation into complaints against any commercial health insurance issuers within existing resources without an increased appropriation or reduced reversion.
- The DCI's TennCare Oversight Division can investigate any complaints regarding the TennCare managed care organizations (MCOs) within existing resources without an increased appropriation or reduced reversion.

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds $3,598,300

Increase Business Expenditures – Exceeds $3,598,300

Assumptions:

- Durable medical equipment providers will experience an increase in business revenue estimated to exceed $3,598,343 ($1,390,836 + $2,161,829 + $45,678).
- The estimated increase in business expenditures is estimated to exceed $3,598,343 in FY 18-19 and subsequent years; however, for companies to retain solvency, any increased expenditures is anticipated to be less than the amount of increased revenue collected.
- Any impact to jobs in Tennessee is estimated to be not significant.

*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.

Krista M. Lee

Krista M. Lee, Executive Director

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