

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 278 - SB 322

April 10, 2019

SUMMARY OF ORIGINAL BILL: Effective January 1, 2020, requires the Department of Commerce and Insurance (DCI) to enter into a memorandum of understanding to develop a comprehensive healthcare information system accessible by insurers, employers, providers, purchasers of healthcare, and state agencies to review data related to healthcare utilization, expenditures and performance in Tennessee.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$433,200/FY19-20
\$866,400/FY20-21 and Subsequent Years

Other Fiscal Impact – To the extent individual departments are required to provide healthcare information to the system, existing databases will require modifications. The increases in state expenditures associated with such modifications cannot be quantified with reasonable certainty.

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue - \$433,200/FY19-20
\$866,400/FY20-21 and Subsequent Years

Increase Business Expenditures -
Less than \$433,200/FY19-20
Less than \$866,400/FY20-21 and Subsequent Years

SUMMARY OF AMENDMENT (007837): Deletes all language after the enacting clause. Requires the Executive Director of the Health Services and Development Agency (HSDA), no later than January 1, 2020, to establish an all payer claims database to support transparent public reporting of healthcare information that enables the Commissioner of the Department of Finance and Administration (F&A), the Director of the Division of TennCare, the Commissioner of the Department of Mental Health and Substance Abuse Services (DMHSAS), the Commissioner of the Department of Intellectual and Developmental Disabilities (DIDD), the Commissioner of the Department of Health (DOH), and the Commissioner of the Department of Labor and Workforce Development (DLWD) to carry out certain duties pertaining to healthcare.

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Requires HSDA, no later than October 1, 2019, to use a competitive solicitation procurement process to select the best potential bidders to coordinate and manage the database.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Exceeds \$1,000,000

Other Fiscal Impact - Pursuant to Tenn. Code Ann. § 68-11-1623(b), the Health Services Development Agency (HSDA) is required to be self-sufficient. As of February 22, 2019, the HSDA's account balance is estimated to be approximately \$400,000 with an additional reserve fund balance of approximately \$1,100,000. The HSDA may increase fees for other certificate of need applicants in the future, if necessary, to remain self-sufficient.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 56-2-125(b)(1), the Commissioner of the Department of Commerce and Insurance shall establish and maintain an All Payer Claims Database (APCD) to enable the Commissioner of F&A to carry out the following duties: improving the accessibility, adequacy, and affordability of patient health care and health care coverage; identifying health and healthcare needs and informing health and healthcare policy; determining the capacity and distribution of existing healthcare resources; evaluating the effectiveness of intervention programs on improving patient outcomes; reviewing costs among various treatment settings, providers and approaches; and providing publicly available information on healthcare providers' quality of care.
- The Department of Finance and Administration, Division of TennCare (Division), had a contract with a third-party agency for an APCD that ended in 2017 and deactivated the database; therefore, the state does not have a current database and no savings would be realized. The annual contract amount was approximately \$840,000; the contract was only for claims and information pertaining to the Division.
- The proposed legislation requires the HSDA to establish an APCD that would allow the Director of TennCare, the Commissioners of DMHSAS, DIDD, DOH, and DLWD to carry out the same duties as the Commissioner of F&A in Tenn. Code Ann. § 56-2-125(b)(1).
- HSDA is required, no later than October 1, 2019, to use a competitive solicitation procurement process to select a lead entity from the best potential bidders to coordinate and manage the database.
- It is assumed the third-party vendor contract selected will cost at least \$1,000,000 annually.
- Pursuant to Tenn. Code Ann. § 68-11-1623(b), the Health Services Development Agency (HSDA) is required to be self-sufficient. As of February 22, 2019, the HSDA's account balance is estimated to be approximately \$400,000 with an additional reserve fund balance of approximately \$1,100,000. The HSDA may increase fees for other certificate of need applicants in the future, if necessary, to remain self-sufficient.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Increase Business Revenue – Exceeds \$1,000,000

Increase Business Expenditures – Less than \$1,000,000

Jobs Impact – Not Significant

Assumptions for the bill as amended:

- The third-party APCD vendor will experience an increase in business revenue for providing services.
- The increase in business revenue is estimated to exceed \$1,000,000.
- For companies to retain solvency, any increased expenditures will be less than the amount of increased revenues collected. Therefore, the increase in business expenditures is estimated to be less than \$1,000,000.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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