

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1366 - SB 1502

March 10, 2020

SUMMARY OF ORIGINAL BILL: Authorizes an appellant to submit a written statement by electronic means in support of an appeal regarding eligibility and enrollment for plans and benefit structure of plans administered by the State Insurance Committee, Local Education Insurance Committee, and the Local Government Insurance Committee.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (016541): Deletes all language after the enacting clause. Requires the basic health plan, beginning in the 2021 plan year, to establish an alternate allowable charges schedule that allows an enrollee to utilize the services of any licensed medical provider in the United States without being penalized with out-of-network cost sharing charges except as provided in the alternate allowable charges schedule. The maximum allowable charges schedule must be the Medicare payment schedule plus 60 percent of the Medicare reimbursement rate for the service provided for facility fees, and the Medicare payment schedule plus 25 percent of the Medicare reimbursement rate for the service provided for medical provider charges. If there is no Medicare payment rate for a particular service, then the allowable charges schedule for that particular service is 40 percent of the cost of the service provided.

Further requires the basic health plan to be modified to have a preferred tier and a non-preferred tier. Requires providers who agree to accept charges below the maximum allowable charges be in the preferred tier, and the preferred tier must have lower cost sharing for the employee. Requires providers in the non-preferred tier be providers who have not agreed to accept charges below the maximum plan allowable, and the non-preferred tier must have higher cost sharing for the employees utilizing those providers.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Decrease State Expenditures - \$8,964,200/FY20-21
\$17,928,500/FY21-22 and Subsequent Years**

**Decrease Federal Expenditures - \$875,800/FY20-21
\$1,751,500/FY21-22 and Subsequent Years**

Assumptions for the bill as amended:

- Benefits Administration consulted with its contracted qualified independent actuary to determine a fiscal impact for the proposed legislation, resulting in an estimate of a \$24,600,000 savings on total claims. Fiscal Review Committee staff is unable to verify the validity of this number.
- The proposed legislation will require Benefits Administration to amend current contracts or procure new ones. These changes will impact state plan contracts beginning January 1, 2021.
- According to Benefits Administration, the state contributes 80 percent of member premiums resulting in a recurring increase in state expenditures of \$19,680,000 (\$24,600,000 x 80.0%) in FY21-22 and subsequent years. Due to the January 1, 2021 effective date, the increase in state expenditures for the State Plan is estimated to be \$9,840,000 (\$19,680,000 x 50.0%) in FY20-21.
- According to Benefits Administration, some state plan members' insurance premiums are funded through federal dollars. It is estimated 8.9 percent of the state share of the state plan is funded with federal dollars, resulting in an increase in federal expenditures estimated to be \$1,751,520 (\$19,680,000 x 8.9%) in FY21-22 and subsequent years. Due to the January 1, 2021 effective date, the increase in federal expenditures for the State Plan is estimated to be \$875,760 (\$1,751,520 x 50.0%) in FY20-21.
- The total decrease in state expenditures is estimated to be \$8,964,240 (\$9,840,000 - \$875,760) in FY20-21.
- The total decrease in state expenditures is estimated to be \$17,928,480 (\$19,680,000 - \$1,751,520) in FY21-22 and subsequent years.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

**Decrease Business Revenue – \$9,840,000/FY20-21
\$19,680,000/FY21-22 and Subsequent Years**

**Decrease Business Expenditures – Less than \$9,840,000/FY20-21
Less than \$19,680,000/FY21-22
and Subsequent Years**

Assumptions for the bill as amended:

- Healthcare providers will experience a decrease in business revenue for services provided estimated to be \$9,840,000 in FY20-21 and \$19,680,000 in FY21-22 and subsequent years.
- For companies to retain solvency, any expenditures will be less than the amount of decreased revenues collected. Therefore, the decrease in business expenditures is estimated to be less than \$9,840,000 in FY20-21 and less than \$19,680,000 in FY21-22 and subsequent years.

CERTIFICATION:

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

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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