

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 962 - SB 1296

March 13, 2019

SUMMARY OF BILL: Requires a health insurance carrier to establish an interactive mechanism on its publicly accessible website that enables an enrollee to request and obtain from the carrier information on the payments made by the carrier to network entities or providers for comparable healthcare services, as well as quality data for those providers, to the extent available.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- TennCare establishes standard rates for healthcare services provided to its enrollees, and pursuant to Tenn. Code Ann. § 71-5-102, budgets for estimated costs through the General Appropriations Act; therefore, any increase in costs experienced by MCOs will not impact such rates and subsequently, state or federal expenditures related to TennCare plans.
- The Department of Commerce and Insurance can establish rules to implement the proposed legislation within existing resources without an increased appropriation or reduced reversion.
- Passage of this legislation could result in an increase in the cost of health insurance premiums if the carriers try to pass the administrative costs back onto the state by increasing per member per month fees. 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.

IMPACT TO COMMERCE:

Other Commerce Impact – Passage of this legislation is estimated to result in a substantial increase in business expenditures for insurance companies in this state, which may result in rate increases and increased premium collections for such companies; however, any increase in premiums is estimated to be not significant. Notwithstanding any increase in premium collections, insurance

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companies in this state will experience an increase in business expenditures exceeding \$10,000,000 statewide.

Assumptions:

- The Division of TennCare contacted one of Tennessee's managed care organizations (MCOs) which utilize a similar commercial product in another state to determine cost estimates of providing this program.
- An increase in one-time costs to the MCO are estimated to be approximately \$4,650,000 and include, but not be limited to, the following costs: \$750,000 for IT construction and implementation costs, \$450,000 for portal/website licensing costs, and \$100,000 for annual licensing fees, maintenance, etc.
- Recurring costs to the MCO of approximately \$300,000 for annual licensing fees and system maintenance, etc.
- The effect upon other private insurance carriers will be dependent upon various unknown factors subjective to the rates and contractual agreements comprising each individual policy of healthcare.
- Any substantial increase in costs to insurers to provide the program required in this legislation will be offset by an increase in premium rates and subsequently, premium payments paid by policyholders.
- Notwithstanding any increase in premium collections, the net impact to such insurers is unknown, but is reasonably estimated to exceed \$10,000,000 statewide.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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