

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1699 - SB 1892

February 7, 2020

SUMMARY OF BILL: Requires a health insurance entity to reimburse a facility hosting a patient for a telehealth encounter an originating site fee in accordance with applicable rules and amounts established by the Centers for Medicare and Medicaid Services (CMS). Adds a private location the patient deems appropriate to receive their healthcare services that is equipped to engage in telecommunication as a location a patient may receive provider-based telemedicine services and requires an in-person encounter between the healthcare service provider, the provider's practice group, or the healthcare system and the patient within 24 months prior to a telehealth encounter prior to the provider-based telemedicine service. Requires a health insurance entity to consider any remote patient monitoring (RPM) service a covered service if the same service is covered by Medicare. The proposed legislation takes effect July 1, 2021 and applies to insurance policies or contracts issued, entered into, renewed, or amended on or after that date.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$1,139,300/FY21-22
\$1,154,200/FY22-23 and Subsequent Years**

Increase Federal Expenditures – \$2,170,600/FY21-22 and Subsequent Years

**Increase Local Expenditures – Exceeds \$2,900/FY21-22*
Exceeds \$5,900/FY22-23 and Subsequent Years***

Assumptions:

Division of TennCare:

- The total TennCare population eligible for telemedicine coverage is any patient with an encounter in the last 24 months. As of December 31, 2019, 1,273,814 TennCare enrollees had a medical encounter within the past 24 months.
- The originating site fee consistent with CMS rates is \$26.65 per visit.
- It is assumed 2.5 percent of enrollees, or 31,845 (1,273,814 enrollees x 2.5%), will have a telehealth encounter with an originating site fee, resulting in a recurring increase in expenditures estimated to be \$848,669 (31,845 enrollees x \$26.65).
- The number of TennCare enrollees with at least one chronic disease is estimated to be 57 percent of the total population, 815,398 (1,430,522 total enrollees x 57.0%).
- The net user fee per year for RPM is estimated to be \$150 (\$1,500 - \$1,350) based on \$1,500 cost per year and a 90 percent, or \$1,350 (\$1,500 x 90.0%) return on investment.

- Assuming 2 percent of enrollees, or 16,308 (815,398 x 2.0%), will participate in RMP services, the recurring increase in expenditures is estimated to be \$2,446,200 (16,308 enrollees x \$150).
- The total recurring increase in expenditures for the Division is estimated to be \$3,294,869 (\$848,669 + \$2,446,200).
- Currently, Medicaid expenditures receive matching funds at a rate of 65.878 percent federal funds to 34.122 percent state funds. This is assumed to remain constant for purposes of this analysis.
- Of this amount, \$1,124,275 ($\$3,294,869 \times 34.122\%$) will be state funds in FY21-22 and subsequent years and \$2,170,594 ($\$3,294,869 \times 65.878\%$) will be federal funds in FY21-22 and subsequent years.

Benefits Administration:

- Proposed Tenn. Code Ann. § 56-7-1018 regarding RPM services does not have ERISA exemption language and would apply to the State Group Insurance Program. The proposed legislation will impact the state plan that begins January 1, 2022.
- The estimated cost for onboarding a new patient for RPM services is estimated to be \$18.10. The net user fee per year for RPM is estimated to be \$72 ($\$720 - \648) based on \$720 cost per year and a 90 percent, or \$648 ($\$720 \times 90.0\%$) return on investment.
- The State Employee Plan has 15,781 eligible enrollees, the Local Education Plan has 9,638 eligible enrollees and the Local Government Plan has 3,252 eligible enrollees for RPM.
- It is estimated 2 percent of enrollees on each plan will participate in RPM services: 316 enrollees in the State Employee Plan, 193 enrollees in the Local Education Plan, and 65 enrollees in the Local Government Plan.
- The cost estimates for the State Employee Plan is estimated to be \$28,472 [316 enrollees x ($\$18.10 + \72)], \$17,389 [193 enrollees x ($\$18.10 + \72)], and \$5,857 [65 enrollees x ($\$18.10 + \72)].
- According to Benefits Administration, the state contributes 80 percent of member premiums, resulting in a recurring increase in state expenditures of \$22,778 ($\$28,472 \times 80.0\%$) in FY22-23 and subsequent years.
- The state contributes 45 percent of instructional member premiums (75 percent of Local Education Plan members) and 30 percent of support staff member premiums (25 percent of Local Education Plan members), resulting in state expenditures of at least \$7,173 [$(\$17,389 \times 75.0\% \times 45.0\%) + (\$17,389 \times 25.0\% \times 30.0\%)$] in FY22-23 and subsequent years.
- The state does not contribute to the Local Government Plan; any increase in premiums 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 \$5,857 in FY22-23 and subsequent years.
- 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 the \$5,857 increase to the state plan in FY22-23 and subsequent years.
- The increase in state expenditures in is estimated to be \$14,976 [$(\$22,778 + \$7,173) \times 50.0\%$] in FY21-22.

- The increase in local expenditures is estimated to exceed \$2,929 (\$5,857 x 50.0%) in FY21-22.

Total State:

- The total increase in state expenditures is estimated to be \$1,139,251 (\$1,124,275 + \$14,976) in FY21-22.
- The total increase in state expenditures is estimated to be \$1,154,226 (\$1,124,275 + \$22,778 + \$7,173) in FY22-23 and subsequent years.

IMPACT TO COMMERCE:

Increase Business Revenue - Exceeds \$3,312,800/FY21-22 and Subsequent Years

**Increase Business Expenditures –
Less than \$3,312,800/FY21-22 and Subsequent Years**

Assumptions:

- Healthcare providers will experience a recurring increase in business revenue for providing services estimated to be \$3,312,774 (\$1,139,251 + 2,170,594 + \$2,929) in FY21-22 and subsequent years.
- The recurring increase in business expenditures is estimated to be less than \$3,312,774 in FY21-22 and subsequent years for companies to retain solvency.
- The effect upon other private insurance carriers will be dependent upon various unknown factors subject to the rates and contractual agreements comprising each individual policy of healthcare.

**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 Lee Carsner, Executive Director

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