FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: March 28, 1995

SUBJECT: **SB 971 - HB 793**

This bill, if enacted, will require that any final utilization review must be decided by a medical doctor who is independent of any financial interest in the affected party, who has recognized experience in the Medicaid issue being appealed, and who is mutually agreeable to the utilization review agent, the subscriber and the involved provider. The utilization review agent is required to file an annual plan which: estimates the prevalence of chemical dependency in the subscriber pool, estimates the need and type of alcohol and drug treatment and length of stay to receive treatment, contains a follow up plan , an outreach plan, a proposed program network demonstrating a program of care for special needs populations and a method to provide measures of performance. The utilization review agent is required to file specific criteria used in determining appropriate treatment. In addition the utilization review agent cannot receive direct compensation or any specific part of compensation which depends on the determination of type or course of treatment, length of stay or level of care for enrollees. Notice of determination must be issued within 1 business day instead of 2 and

adjudication of appeals must be made within 24 hours of receipt of all necessary information instead of 48.

The fiscal impact from enactment of this bill is estimated to result in an increase in expenditures to the TennCare program. The provisions of this bill add many administrative requirements on the utilization review agents which will be passed on to the managed care organizations. Managed care organizations depend on this process to control over utilization of services. Several provisions of this bill will hinder this process which will result in higher benefit costs. These costs will result in higher capitation rates in order to maintain a sufficient number of managed care organizations in the system. The amount of increase cannot be reasonably determined but is estimated to exceed $100,000.

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport, Executive Director