FISCAL IMPACT STATEMENT

BILL NUMBER: SB 314
BILL AMENDED: 


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FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL
IMPACT: State & Local

Summary of Legislation: Point-of-service Products: This bill requires health maintenance organizations (HMOs), accident and sickness insurers, and state employee health benefit plans that use a provider network to include a point-of-service product.

Any Willing Provider Provisions: The bill also requires HMOs and the state employee health benefit plans that use a provider network to establish terms and conditions that must be met by providers wishing to enter into participating provider contracts. The bill prohibits unreasonable discrimination among providers in terms and conditions of participating provider contracts. The bill also requires these plans to provide a written statement of the terms and conditions of its participating provider contract to providers wishing to become participating providers. The bill also provides that a provider agreeing to meet the terms and conditions of a participating provider contract must be allowed to enter into a participating provider contract. HMOs and state employee health benefit plans that use a provider network are required by the bill to provide a written statement of the terms and conditions not satisfied by a provider who is denied the right to enter into a participating provider contract. The bill also specifies that a state employee health benefit plan that uses a provider network may not prohibit a participating provider from disclosing financial incentives and all treatment options available, including those not covered by the plan, through its participating provider contract. The bill provides that no cause of action shall arise for required disclosure of information or subsequent unauthorized use of the information.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill may impact state expenditures through the state’s provision of health care benefits to state employees. Total additional costs to state employee health plans arising from both the Point-of-service and Any Willing Provider mandates are estimated to range between $27.7 million and $63.0 million annually. The increased costs may be reflected in increased premiums and enrollment fees charged by the plans. Increased premiums and fees, however, may or may not result in additional costs to
the state, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits.

**Point-of-service Products:** Point-of-service provisions allow plan members to seek care from any provider including those who are not in the plan network. This would tend to increase health plan costs by making it more difficult to influence medical practice patterns and by reducing the plan’s effectiveness in negotiating price discounts with medical providers. According to the National Conference of State Legislators (NCSL), research studies have reported that a mandated point-of-service option on HMOs can impact HMO costs by 11% to 17% of costs. Based on current state employee enrollment in HMO plans and current enrollment fees, additional costs to the plans are estimated to range from $15.2 million to $23.4 million, annually. The extent to which any increased costs are passed on to the state or the state’s employees depends on administrative decisions.

**Any Willing Provider Provisions:** Any Willing Provider provisions require that any provider agreeing to meet the terms and conditions of a participating provider contract must be allowed to enter into a contract with the health plan. These provisions also would tend to increase health plan costs by making it more difficult to influence medical practice patterns and by reducing the plan’s effectiveness in negotiating price discounts with medical providers. According to the NCSL, research studies have reported that Any Willing Provider requirements on HMOs can impact HMO costs by 9.1% to 28.7% of costs. Based on current state employee enrollment in HMO plans and current enrollment fees, additional costs to the plans are estimated to range from $12.5 million to $39.6 million, annually. The extent to which any increased costs are passed on to the state or the state’s employees depends on administrative decisions.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Similar to the state, increased premiums and enrollment fees arising from point-of-service and Any Willing Provider requirements, may or may not result in additional costs to local governments and school corporations, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits offered to employees. The impact on local units of government would differ by local unit.

**Explanation of Local Revenues:**

**State Agencies Affected:** All

**Local Agencies Affected:** Local Governments and School Corporations

**Information Sources:** NCSL, Health Policy Tracking Service Issue Brief: Point-of-Service, 10/1/98. NCSL, Health Policy Tracking Service Issue Brief: Any Willing Provider, 10/1/98.