Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Am. Sub. H.B. 125**

DATE: **October 9, 2007**

STATUS: **As Reported by House Civil and Commercial Law**

SPONSOR: **Rep. Huffman**

LOCAL IMPACT STATEMENT REQUIRED: **No — Offsetting savings**

CONTENTS: **Would establish certain uniform contract provisions between health care providers and third party payers, establish standardized credentialing, and require third party payers to provide health care providers specified information about enrollees**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential minimal increase	Potential minimal increase
Other State Funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential minimal increase	Potential minimal increase
Department of Insurance Operating Fund (Fund 554)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase up to $130,000 or more	Potential increase up to $130,000 or more

Note: The state fiscal year is July 1 through June 30. For example, FY 2008 is July 1, 2007 – June 30, 2008.

- The prohibition against third party payers selling or renting out the rights to a participating medical provider's services may reduce revenue to some health insurers. Any affected insurers may attempt to recoup the lost revenue, possibly by increasing premiums. That has the potential to increase the costs to the state of providing health benefits to employees. Any such increase is expected to be minimal. About half of any such increase would be paid by the GRF, with the remainder being paid by other state funds.

- The Department of Insurance is required to adopt rules implementing the bill. A Department official reports that the Department may need to hire an attorney to review contracts affected by the bill. This may increase departmental costs, paid from Fund 554, by up to $130,000 or more.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties, municipalities, townships, school districts			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase
Counties, municipalities			
Revenues	- 0 -	Potential loss	Potential loss
Expenditures	- 0 -	Potential decrease	Potential decrease

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The prohibition against third party payers selling or renting out the rights to a participating medical provider's services may reduce revenue to some health insurers. Any affected insurers may attempt to recoup the lost revenue, possibly by increasing premiums. That has the potential to increase the costs to political subdivisions of providing health benefits to employees. Any such increase is expected to be minimal.

- The provision requiring mandatory arbitration of contract disputes related to the bill's provisions may reduce caseload in county courts of common pleas and in municipal courts. This would reduce both administrative costs to the courts and fee revenue that accompanies the filing of cases.

Detailed Fiscal Analysis

H.B. 125 would establish several provisions in the Revised Code governing contracts between health care providers and third party payers (who would typically be health insurance corporations or sickness and accident insurers). Most of the provisions govern the contents of such contracts, and required accompanying documents. Some of these provisions may affect the relative bargaining power of one of the parties to a contract, but LSC is not aware of any research that would reliably allow prediction of the outcomes of negotiations between the parties before and after the changes to relative bargaining power, and the consequent effect on premiums.

The bill has three provisions that may have predictable fiscal effects. First, the bill prohibits third party payers from selling, renting, or giving its rights to a participating medical provider's services except under specified conditions. Second, the bill establishes a mandatory arbitration procedure for contract disputes related to the provisions of the bill. And third, the bill requires the Superintendent of Insurance to adopt rules necessary for implementation of the bill's provisions.

Fiscal effects

The provision prohibiting third party payers from selling the rights to the services of medical providers on its network would eliminate one potential source of revenue for health insurers. Insurers who are affected by this provision may respond by reducing costs or by increasing revenues from another source in an attempt to maintain profits. LSC fiscal staff has no information as of this writing regarding how widespread this practice is and how large the amounts of money involved may be. It is possible that this provision could result in an increase in premiums, thus increasing the costs for the state and for political subdivisions to provide health benefits for workers. It has been assumed that this potential source of revenue is minimal, since it is clearly not a primary line of business for the firms affected. If it should emerge with further study that the revenue amounts involved are more than minimal, the local impact determination may be changed.

The provision regarding mandatory arbitration for contract disputes related to the bill's provisions may reduce caseload that would otherwise go to county or municipal courts. This would reduce costs related to processing cases and revenue from fees that accompany filing of cases.

The provision requiring the Superintendent of Insurance to adopt rules to implement the bill may increase administrative costs that would be paid by the Department of Insurance Operating Fund (Fund 554). A Department of Insurance official reports that the Department expects that it would need to hire an Attorney 5 in order to review contracts affected by the bill's provisions. The salary range for such a position is between $76,250 and $99,973. Allowing for fringe benefits, the increase in costs to the Department could be up to $130,000 or more.

The bill also requires the Department of Job and Family Services (JFS) to allow managed care plans to use providers to render care upon completion of the managed care plan's credentialing process. LSC staff have not received an estimate of the cost of this provision to JFS.

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