Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 185 of the 128th G.A.

Date: June 9, 2009

Status: As Introduced

Sponsor: Reps. DeGeeter and Book

Local Impact Statement Procedure Required: No — Possible indirect local effects

Contents: Specifies that a material amendment to a health care contract does not become part of the contract unless agreed upon by both parties

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Under current law, a "material amendment" to a health care contract between health care providers and third party payers (who would typically be health insurance corporations or sickness and accident insurers) can occur only if the amendment is in writing and notice is made not later than 90 days prior to the effective date of the material amendment. If within 15 days after receiving that material amendment and accompanying notice, the health care provider objects in writing to the change, and there is no resolution of the objection, either party may terminate the health care contract upon written notice of termination provided to the other party not later than 60 days prior to the effective date of the material amendment. If the health care provider does not object to the material amendment in the manner described above, the amendment is effective as specified in the notice of the material amendment.

The bill clarifies that if the health care provider properly objects to the material amendment, and there is no resolution, and neither party terminates the health care contract, the material amendment does not become part of the existing health care contract.

Fiscal impact

The bill is assumed to have no direct fiscal impact on state or local governments. If third party payers have unilaterally enforced in their favor material amendments to health care contracts, LSC fiscal staff has no information as of this writing regarding how widespread the practice might be and how large the amounts of money involved may be. LSC is not aware of any research that would reliably allow prediction of the outcomes of negotiations between the parties after the changes proposed by the bill, and the consequent effect on health insurance premiums. Insurers who may be affected by H.B. 185 may respond by reducing costs or by increasing revenues from another source in an attempt to maintain or increase profits. Then, it is possible that the bill could ultimately result in an increase in premiums, thus increasing the costs for the state and for political subdivisions to provide health benefits for workers. While this is a possible outcome attributable to the bill, LSC would classify such an outcome as an indirect fiscal effect.