



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** S.B. 28 of the 129th G.A.

**Date:** November 13, 2012

**Status:** As Introduced

**Sponsor:** Sen. Tavares

**Local Impact Statement Procedure Required:** Yes

**Contents:** Insurance and Medicaid coverage of telemedicine services

### State Fiscal Highlights

- The bill prohibits health insurers from excluding coverage for a telemedicine service solely because the service is not provided through a face-to-face consultation. Thus, in effect, the bill requires health insuring corporations (HICs) to provide coverage for telemedicine services. This may increase costs for HICs. Consequently, it may increase premiums paid by the state to provide health benefits to employees and their dependents. Any increase in insurance premiums would increase costs to the state.
- If the number of Medicaid claims increases as a result of Ohio Department of Job and Family Service's implementation of the bill by establishing and ensuring certain practices with respect to the telemedicine services, state Medicaid costs might increase. The increase would depend upon the reimbursement rate for telemedicine services and the number of telemedicine claims that may be submitted. On the other hand, some or all of the increase in costs might be offset by cost savings such as a potential reduction in emergency room visits.

### Local Fiscal Highlights

- The bill prohibits health insurers from excluding coverage for a telemedicine service solely because the service is not provided through a face-to-face consultation. Thus, in effect, the bill requires health insuring corporations (HICs) to provide coverage for telemedicine services. This may increase costs for HICs. Consequently, it may increase premiums paid by counties, municipalities, and townships statewide. Any increase in insurance premiums would increase costs to local governments to provide health benefits to their employees and their dependents. However, LSC staff could not determine the magnitude of the bill's fiscal impact on local governments due to lack of information on the number of plans that do not currently include telemedicine services coverage.

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## Detailed Fiscal Analysis

### **Mandated coverage for telemedicine services**

The bill prohibits health insurers from excluding coverage for a telemedicine service solely because the service is not provided through a face-to-face consultation. Thus, in effect, the bill requires health insuring corporations (HICs) to provide coverage for telemedicine services. This may increase costs for HICs. Accordingly, it may also increase premiums paid by the state and local governments to provide health benefits to employees and their dependents. Any increase in insurance premiums would increase costs to the state and local governments. Currently, telemedicine service is not included in the State's health benefit plan. In addition, LSC staff could not determine the magnitude of the bill's fiscal impact on counties, municipalities, and townships statewide due to lack of information on the number of plans that do not currently include telemedicine services coverage. To the extent that telemedicine services are already included in local governments' health benefit plans, the impact on their costs of providing health benefits to employees and their dependents should be reduced.

The bill specifies that the Department of Insurance is not required to conduct an analysis of the impact of the bill-mandated coverage for telemedicine services. Under existing law, no mandated health benefits legislation enacted by the General Assembly may be applied to sickness and accident or other health benefit policies, contracts, plans, or other arrangements until the Superintendent of Insurance determines that the provision can be applied fully and equally in all respects to employee benefit plans subject to regulation by the federal Employee Retirement Income Security Act of 1974 (ERISA) and employee benefit plans established or modified by the state or any political subdivision of the state.

### **Telemedicine services offered under the Medicaid program**

Reimbursement under Medicaid for telemedicine service varies. There is currently no uniform system, but certain providers may be able to bill Medicaid for providing such services. Currently, in the Revised Code "the practice of telemedicine" refers to an out-of-state physician who provides services through any communication including oral, written, or electronic to someone in Ohio.<sup>1</sup> This service is currently covered by Medicaid.<sup>2</sup> The bill defines a "telemedicine service" as a medical service delivered by a physician through the use of any communication, including oral, written, or electronic communication regardless of where a physician is located. In-state providers are not currently directly reimbursed by Medicaid for these services. According to the Ohio Department of Job and Family Services (ODJFS), reimbursement

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<sup>1</sup> Ohio Revised Code section 4731.296.

<sup>2</sup> Ohio Administrative Code section 5101:3-2-02.

for "telemedicine services" as defined in the bill is built into physicians' reimbursement rates as overhead for face-to-face encounters.

The bill requires the ODJFS Director to do all of the following with respect to the provision of telemedicine services:

(1) Ensure that the Medicaid program does not exclude coverage for a telemedicine service solely because the service is not provided through a face-to-face consultation;

(2) Ensure that the Medicaid program does not require a medical service to be provided to a Medicaid recipient through a telemedicine service when the service can reasonably be provided through a face-to-face consultation; and

(3) Establish a system to monitor the provision of telemedicine services to Medicaid recipients for purposes of ensuring quality care and preventing fraud and abuse.

If the number of Medicaid claims increases as a result of ODJFS's implementation of the bill by establishing and ensuring certain practices with respect to the telemedicine services, state Medicaid costs might increase. For example, if Medicaid reimburses providers separately for telemedicine services, as a result of ensuring coverage for a telemedicine service, it might increase the number of Medicaid claims, which would, in turn, increase administrative costs for ODJFS from processing claims. An increase in claims might also increase Medicaid expenditures to providers. The increase would depend upon the reimbursement rate for telemedicine services and the number of telemedicine claims that may be submitted. On the other hand, some or all of the increase in costs might be offset by cost savings such as a potential reduction in emergency room visits.

The bill also allows the ODJFS Director to require a face-to-face consultation between a Medicaid recipient and a physician after an initial telemedicine service, but only if the physician who provided the service had never before seen the recipient as a patient. The Director can specify a period of time within which the consultation must occur. This provision could result in an increase in both administrative and service costs for Medicaid if ODJFS establishes a system to monitor telemedicine services.