

Fiscal Note

BILL # HB 2035

TITLE: insurance; claims; appeals; provider credentialing

SPONSOR: Cook

STATUS: House Engrossed

PREPARED BY: Destin Moss

REVISED

Explanation of Revision

We have revised our estimate of the fiscal impact of House Engrossed HB 2035 in response to new information regarding the number of health care provider claims which could be appealed to the Office of Administrative Hearings (OAH).

Description

The bill would establish a process by which health care providers could appeal unresolved grievances against private health care insurers to OAH.

Estimated Impact

We estimate that the bill would have an annual General Fund impact of \$981,000 to \$2.9 million beginning in FY 2025 for OAH costs. The exact cost would be dependent upon the actual number of OAH cases generated under the bill. In comparison, the Executive estimates the OAH cost at \$200,000, but we lack details on their projection.

DIFI further estimates the bill would increase their workload, requiring 3 additional FTE Positions at an annual cost of \$255,100. The agency also estimates \$6,000 in one-time expenses. Given that the bill would appear to place the workload on OAH and not DIFI, we have asked for an explanation as to the nature of the DIFI's workload increase. We have not yet received a response.

Analysis

Currently, statute requires that all health care insurers establish an internal process by which health care providers can attempt to resolve payment disputes and other contractual grievances. This bill would allow a health care provider to request an administrative hearing with OAH if the internal process established by the health care insurer doesn't lead to a satisfactory resolution.

To determine OAH's potential workload under the bill, we asked DIFI for information regarding unresolved grievances of health care providers. All insurers within the state are required to submit semi-annual reports to DIFI detailing the number of provider grievances received and resolved using the internal appeals process. DIFI provided us with a summary of these reports, which show that nearly 18,000 grievances remained unresolved after the completion of the internal process in 2023.

We cannot determine with certainty how many of the 18,000 unresolved grievances would be appealed to OAH. As a result, we used a range of 25% to 75% of these cases to develop our cost estimate. Using this range, we estimate that 4,500 to 13,500 cases would be appealed to OAH.

(Continued)



OAH estimates a cost of approximately \$218/case, which is based on the average hours per case spent on Arizona Health Care Cost Containment System appeals (which we expect to be analogous to this new case type), the billable hourly rate for administrative law judge expenses, and their fixed filing fee.

Multiplying the estimated number of appeals by OAH's per-case cost estimate would result in a total annual General Fund impact of \$981,000 to \$2.9 million beginning in FY 2025.

In addition to the costs incurred by OAH, the Executive anticipates the bill would generate an additional \$255,100 in ongoing costs and \$6,000 in one-time costs to DIFI. The agency attributes these costs to the hiring of 3 new FTEs: an Investigator, a Project Specialist, and a Senior Insurance Analyst. The bill requires that health care providers submit hearing requests to DIFI, and that DIFI then request the hearing from OAH on the provider's behalf. We have questions as to how this pass-through function warrants an additional 3 FTEs. We have reached out to DIFI for further explanation but have not yet received a response.

Local Government Impact

None

2/28/24