

Fiscal Note

BILL # HB 2035

TITLE: insurance; claims; appeals; provider credentialing

SPONSOR: Cook

STATUS: As Amended by Senate APPROP

PREPARED BY: Destin Moss

REVISED

Explanation of Revision

We have revised our estimate of the fiscal impact of HB 2035 based on additional information received from the Office of Administrative Hearings (OAH) and the Department of Insurance and Financial Institutions (DIFI).

Description

The bill would establish a process by which health care providers could appeal unresolved grievances against private health care insurers to OAH. Under the process established by the bill, providers would submit hearing requests to the DIFI, which would then submit the requests to OAH.

Estimated Impact

We estimate that the bill would result in additional OAH General Fund costs to process the grievance claims. We lack reliable estimates on the number of cases that would be brought to OAH under this legislation, thereby making any estimate highly speculative. There could be several different scenarios:

- OAH estimates that their costs would be \$200,000 annually, which would reflect 900 appeals. Based on 18,000 current annual unresolved grievances between providers and health insurers, this estimate would assume a 5% appeal rate.
- In our February 28th Fiscal Note, we estimated an annual impact of \$981,000 to \$2.9 million. This projection is based on between 4,500 and 13,500 grievances being appealed, which represents 25% to 75% of all grievances. OAH currently has a \$1 million budget. If the 25% to 75% range proves to be accurate over time, OAH would likely need 3 to 5 years to ramp up their operations to add the staff and expend the funds to hear that level of cases.

DIFI further estimates the bill would increase their workload, requiring 3 additional FTE Positions at an annual cost of \$255,100. According to DIFI, these new staff positions would have two primary functions: prepare hearing requests for submission to OAH and provide additional investigative support to verify insurers are complying with all relevant rules and statutes. DIFI would probably expend additional resources under the bill. As with OAH, however, the actual DIFI cost will depend on the number of formal grievances.

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 does not lead to a satisfactory resolution.

(Continued)



Under current statute, health care providers may elevate certain types of grievances to DIFI. DIFI does not presently have the statutory authority to adjudicate the individual contracts or claims between health care insurers and health care providers but may use these grievance complaints to evaluate insurer compliance with relevant statutes. At this time, 200-300 grievance complaints per year are elevated to the department under this process. The new process established by this bill will allow adjudication of individual complaints that could not previously be adjudicated by DIFI, so we expect the number of OAH appeals will exceed the number of complaints filed under the current process.

Beyond the grievance complaints submitted to DIFI by 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 health insurers' internal appeals process. These reports indicate that approximately 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, or 4,500 to 13,500.

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. OAH's current General Fund budget is near \$1,000,000. As a result, there are practical limitations as to how quickly OAH could expand its operation to address 4,500 to 13,500 claims.

OAH separately provided us with a cost estimate of \$200,000, which, given their per-case cost estimate, translates to approximately 900 cases. This would represent a scenario in which 5% of unresolved grievances are appealed to OAH. Under either estimate, it is likely that the OAH would receive many of the 200-300 complaints currently elevated to DIFI, in addition to some fraction of the 18,000 unresolved specific grievances that cannot be resolved by DIFI.

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. According to DIFI, these staff would review hearing requests and prepare documents for submission to OAH. The staff would also evaluate hearing requests to determine whether insurers are acting in violation of relevant rules and statutes. The department did not specify the number of increased cases they would need to review under the bill.

Local Government Impact

None

5/6/24