

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY COMMITTEE SUBSTITUTE FOR

ASSEMBLY, No. 1255

STATE OF NEW JERSEY

220th LEGISLATURE

DATED: DECEMBER 27, 2023

## SUMMARY

- Synopsis:** Updates requirements and standards for authorization and prior authorization of health care services.
- Type of Impact:** Annual impact to State General Fund; annual impact to certain local government units; potential annual State revenue increases.
- Agencies Affected:** Division of Pensions and Benefits in the Department of the Treasury; certain local government units.

### Office of Legislative Services Estimate

Annual Fiscal Impact	
State Expenditure Impact	Indeterminate
State Revenue Increase	Indeterminate
Local Expenditure Impact	Indeterminate

- The Office of Legislative Services (OLS) estimates that requiring contracts entered into by the State Health Benefits Commission or the School Employees' Health Benefits Commission with a vendor to comply with the new time frames for providing information concerning utilization management and governing prior and concurrent authorization for health care services under this bill will have an indeterminate impact on State and local government unit annual costs for State Health Benefits Program and School Employees' Health Benefits Program expenditures.
- The OLS also anticipates that this bill could result in modest indeterminate revenue increases to the State General Fund and the State Health Care Subsidy Fund due to penalties resulting from violations of the bill's provisions.

## BILL DESCRIPTION

This bill updates the requirements and standards placed on health insurance carriers, benefits plans, and payers for the authorization and prior authorization of health care services.

Under the bill, contracts entered into between the State Health Benefits Commission or School Employees' Health Benefits Commission with a vendor must also comply with certain provisions regarding new time frames for providing information concerning utilization management and governing prior and concurrent authorization for health care services.

The bill states that prior authorization for treatment of a long term care or chronic condition or service which includes a defined number of discrete services within a set time frame is to remain valid for 180 days in certain circumstances and prior authorization granted by a previous payer is to remain valid for at least the initial 60 days of coverage under a new health plan.

The bill also requires payers to communicate prior authorization denials for covered persons who will receive inpatient services or outpatient services within a shorter time frame than under current law.

Additionally, the bill requires health insurance carriers to provide contracted in-network health care providers with written notice of changes to its use of utilization management policies and the processing and payment of claims no less than 90 days before implementation and requires payers to make readily available statistics on prior authorization approvals and denials on the website of the payer.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that requiring contracts entered into by the State Health Benefits Commission or the School Employees' Health Benefits Commission with a vendor to comply with the new time frames for providing information concerning utilization management and governing prior and concurrent authorization for health care services will have an indeterminate impact on State and local government unit annual costs for State Health Benefits Program and School Employees' Health Benefits Program expenditures.

The OLS also anticipates that this bill could result in modest indeterminate revenue increases to the State General Fund and the State Health Care Subsidy Fund due to penalties resulting from violations of the bill's provisions.

The OLS is not able to determine the current time frames used by Horizon for prior authorization for long term care or chronic conditions within the State Health Benefits and School Employees' Health Benefits programs, the extent to which these programs honor prior authorization approvals granted by previous payers, or whether and how requiring payers to communicate prior authorization denials for covered persons who will receive inpatient services or outpatient services within a shorter time frame or requiring payers to make certain statistical information regarding prior authorization approvals and denials available their websites will impact State Health Benefits Program or School Employees' Health Benefits Program expenditures.

According to the Executive Branch's responses to the OLS' FY 2024 Interdepartmental Accounts discussion points, Horizon's prior authorization medical benefit policy for Plan Year 2022 resulted in State savings of \$77.1 million for that year. The carrier's prior authorization pharmacy benefit policy for Plan Year 2022 resulted in combined State Health Benefits Program and School Employees' Health Benefits Program savings of approximately \$100 million for Plan

Year 2022. This bill may impact those savings, but the direction and magnitude of the impact are unknown.

*Section: State Government*

*Analyst: Anna Harris  
Assistant Fiscal Analyst*

*Approved: Thomas Koenig  
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).