

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 51 - SB 133**

March 20, 2017

**SUMMARY OF BILL:** Adds a new grievance procedure option to the prompt payment requirements statute for TennCare Health Maintenance Organizations (HMOs) when providers' claims are partially or totally denied in a remittance advice or other appropriate written or electronic notice from an HMO. Requires HMOs and subcontractors of HMOs involved in a TennCare line of business to provide a designated contact for prompt claims resolution and in-person telephonic utilization review eight hours per day, seven days a week. Requires HMOs to establish and maintain an interactive website operated by the HMO that allows providers to file grievances, appeals, and electronically-encrypted HIPAA compliant format documents in support thereof. Requires each HMO to file a written report with the Department of Commerce and Insurance (TDCI) that details the number of claims considered, denied, reconsidered, or approved for payment under the proposed legislation, as well as the number of claims appealed internally and grievances filed along with a statement of their resolution.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Exceeds \$5,066,200**

**Increase Federal Expenditures – Exceeds \$9,663,400**

Assumptions:

- Based on information provided by the Bureau of TennCare (Bureau), it is estimated that additional shifts will be created per call center to meet the requirements of the proposed legislation. Two of the current managed care organizations (MCOs) contracted with the Bureau will require Saturday and Sunday shifts for eight hours each day.
- Based on current shifts for each MCO, an additional 33 employees will be required [(1.25 hours per current employees + 0.83 hours per current employee) x 16 additional hours = 33 additional employees]. On average across the two MCOs, salary and benefits for the additional employees will exceed \$60,200 per employee resulting in an increase in MCO expenditures of \$1,986,600 (\$60,200 x 33 employees).
- Currently, MCOs work under a 30-day time frame to respond to a provider grievance. The provisions of the legislation will require MCOs to respond in writing within 10 days of receiving the grievance.

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- Each MCO has at least 15 individuals who work on provider grievances. With the time frame being reduced to one-third of the current response time, it is assumed each MCO will need to triple their current staff in this area for a total 30 additional employees per MCO.
- On average across the three MCOs, salary and benefits for the additional employees will exceed \$72,700 per employee; resulting in an increase in MCO expenditures of \$6,543,000 (\$72,700 x 30 employees x 3 MCOs).
- There may be additional claims costs resulting from the requirement of MCOs to consider and pay claims for the same or similar medical conditions of a patient that were previously paid but that have been denied and resubmitted by the provider for reconsideration outside any timely filing limitations of the MCO.
- Due to a lack of sufficient claims data available to Fiscal Review Committee staff, the actual claims impact cannot be reasonably determined. Based on information provided by the Bureau, total claims denied for no prior authorization were approximately \$62,000,000. It is reasonably estimated that claims payments will increase by at least 10 percent annually resulting in an increase in expenditures to the TennCare program of \$6,200,000 (\$62,000,000 x 10.0%).
- The total increase in expenditures is estimated to exceed \$14,729,600 (\$1,986,600 + \$6,543,000 + \$6,200,000). Of this amount, approximately 34.395 percent will be state expenditures of \$5,066,246 (\$14,729,600 x 34.395%) and approximately 65.605 percent will be federal expenditures of \$9,663,354 (\$14,729,600 x 65.605%).
- The TDCI will be able to handle any investigations of complaints within existing resources without an increased appropriation or reduced reversion.

## **IMPACT TO COMMERCE:**

**Increase Business Revenue - \$14,729,600**

**Increase Business Expenditures - \$8,529,600**

**Jobs Impact – Approximately 123 new jobs.**

### Assumptions:

- The provisions of the legislation could impact claims revenue received by providers. Due to a lack of sufficient claims data available to Fiscal Review Committee staff, the actual claims impact cannot be specifically determined, but it is assumed at least a 10 percent increase in claims payments resulting in business revenue of at least \$6,200,000.
- The provisions of the legislation will result in 123 new jobs paid for by the Bureau of TennCare resulting in an increase in revenue to the MCOs of \$8,529,600 and a corresponding increase in expenditures of a like amount.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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