TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 708 - SB 723

February 25, 2019

SUMMARY OF BILL: Decreases, from 21 to 14 calendar days, the timeframe in which a health insurance entity must pay a claim for payment from a provider that is electronically submitted. Establishes a period of 10 to 21 calendar days in which a health insurance entity must pay a claim received by electronic submission and was approved through the entity's preauthorization process.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – $398,500

Increase Federal Expenditures - $55,000

Assumptions:

- Pursuant to Tenn. Code Ann. § 56-7-109, a health insurance entity or third-party administrator (TPA) has 21 calendar days to pay a claim for which prior authorization was provided and subsequently, a service was provided to the insured; however, prior authorization does not necessarily mean the claim will be paid in full despite receiving such authorization.
- A claim may be approved by prior authorization and the provision of care performed; the insurer may afterwards determine that only a portion of the claim is clean. A clean claim requires no further information from the healthcare provider, and therefore will be reimbursed. If a portion of the claim is judged unclean by the insurer, such insurer must notify the provider in writing of all the reasons the claim is not clean and will not receive reimbursement. The insurer must subsequently provide the healthcare provider what information must be received to adjudicate the unclean portion as clean.
- Requiring a claim to be paid within 10 days of electronic submission will limit health insurers' ability to perform pre-pay reviews and therefore, catch portions of claims that received prior authorization, but upon further review, would have been adjudicated as lacking documentation and information supporting the claim. It is assumed that insurers will need additional personnel to perform expedited reviews on such claims.
- The Department of Finance and Administration, Division of Benefits Administration, has two TPAs. In calendar year 2017, the carriers adjudicated approximately 8,500,000 claims. Approximately two percent of the claims or 170,000 (8,500,000 claims x 2.0%) received prior authorization. Assuming the same volume of claims for FY19-20 and

subsequent years, these carriers will need to dedicate personnel to effectively adjudicate these claims and meet the required 10-day limit.

- The Division compensates the TPAs by an actuarially determined per-member per-month fee. Based on information provided by the Division, the increase in state expenditures to adjudicate these claims is estimated to be $392,500.
- The proposed legislation exempts all TennCare programs except CoverKids.
- The Division of TennCare contracts with three TPAs. Each has reviewed its ability to meet this 10-day requirement and subsequently determined that one will incur costs for one new position.
- The total increase in expenditures to the Division of TennCare's TPA for personnel costs is estimated to be $61,000 for salaries and benefits.
- Children's Health Insurance Program (CHIP) expenditures receive matching funds at a rate of 90.14 percent federal funds to 9.86 percent state funds. Of the $61,000 in increased expenditures, $6,015 ($61,000 x 9.86%) will be paid in state funds and $54,985 ($61,000 x 90.14%) will be paid in federal funds.
- The total recurring increase to state expenditures is estimated to be $398,515 ($392,500 + $6,015).
- The proposed legislation will not impact any programs or policies of the Department of Commerce and Insurance; therefore, any fiscal impact is estimated to be not significant.

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds $453,500

Increase Business Expenditures –$453,500

Assumptions:

- TPA's and healthcare providers will experience a recurring increase in business expenditures of $453,500 ($61,000 + $392,500).
- Insurers and healthcare providers will pass on such costs to plan subscribers by increasing rates. Due to multiple unknown factors, the extent to which insurance providers will increase premiums to offset rising costs is unknown, but it is reasonable to presume rates will increase sufficient to recapture all additional business expenditures. As a result, the recurring increase in business revenue is estimated to exceed $453,500.
- It is likely that requiring a 10-day turnaround on claim reimbursements will result in healthcare providers experiencing an increase in revenue due to insurers' inability to perform pre-pay review on claims with prior authorization. Due to multiple unknown factors, this impact cannot be quantified

CERTIFICATION:

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

Krista Lee Carsner, Executive Director

/jem