

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7030

BILL NUMBER: HB 1461

DATE PREPARED: Dec 20, 2000

BILL AMENDED:

SUBJECT: Insurer and Health Care Provider Contracting.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill prohibits an accident and sickness insurer or a health maintenance organization (HMO) from entering into an "all services contract" with a provider. The bill defines an "all services contract" as a contract between (1) an accident and sickness insurer and a provider or (2) an HMO and a provider that requires a provider, as a condition of providing health care services under a particular plan, policy, or contract of the insurer or HMO, to provide health care services under any other plan, policy or contract of the insurer or HMO.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill could potentially have a small impact on future costs faced by health plans providing health benefits to state employees, if any of these health plans currently have provisions in their provider contracts that are prohibited by this bill. There would only be an impact on premiums and enrollment fees if the cost impact on the affected health plans was significant enough to be passed through to the state and its employees. (By agreement with the state employees, the state agrees to pay 93.5% of any increase in the total premiums for both single and family coverage during the life of the agreement. Employees will pick up the remaining 6.5% of any increase.) Any potential impact would occur only on provider contracts entered into, amended, or renewed after June 30, 2001.

Explanation of State Revenues:

Explanation of Local Expenditures: Similar to the state, increased premiums and enrollment fees may result in additional costs to local governments and school corporations purchasing health benefits from insurance companies and HMOs for their employee health benefit plans. However, this may not necessarily imply that additional budgetary outlays will arise since employer responses to increased health benefit costs may include: (1) greater employee cost sharing in health benefits; (2) reduction or elimination of health benefits; (3) reduction in the size of the workforce eligible for health benefits; and (4) passing costs onto

workers in the form of lower wage increases than would otherwise occur. Any potential impact would occur only on provider contracts entered into, amended, or renewed after June 30, 2001.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local Governments and School Corporations.

Information Sources: