LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7030 **DATE PREPARED:** Feb 27, 2001
BILL NUMBER: HB 1461 **BILL AMENDED:** Feb 27, 2001

SUBJECT: Insurer and Health Care Provider Contracting.

FISCAL ANALYST: Jim Landers
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FUNDS AFFECTED: **X** **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: The bill prohibits an accident and sickness insurer from requiring a provider to provide health care to enrollees of a health maintenance organization as a condition to provide health care to individuals covered under an accident and sickness insurance policy.

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 utilize the provisions prohibited by the bill in agreements with providers. 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 in relation to provider agreements 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 health plans which utilize the provisions prohibited by the bill in agreements with providers. The impact would depend upon whether the cost impact on affected health plans was significant enough to be passed through to the local units. 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 in relation to provider agreements 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: