

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7030

BILL NUMBER: HB 1461

DATE PREPARED: Mar 22, 2001

BILL AMENDED: Mar 22, 2001

SUBJECT: Health Care Provider Contracting.

FISCAL ANALYST: Jim Landers

PHONE NUMBER: 232-9869

**FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) The bill prohibits specified entities from requiring a health care provider to provide health care services to enrollees of a health maintenance organization (HMO) as a condition of entering into a contract to provide health care services to individuals other than enrollees of a health maintenance organization.

Effective Date: July 1, 2001.

Explanation of State Expenditures: (Revised) 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. The bill would impact entities that operate both Preferred Provider Organizations (PPOs) and HMOs. 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.) The potential impact of the prohibition relating to provider agreements would occur in relation to agreements entered into or renewed after June 30, 2001.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) 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 that 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. The potential impact of the prohibition relating to provider agreements would occur only in relation to agreements entered into or renewed after June 30, 2001.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local Governments and School Corporations.

Information Sources: