LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7524 **DATE PREPARED:** Feb 2, 2001
BILL NUMBER: SB 310 **BILL AMENDED:** Feb 1, 2001

SUBJECT: Updating Reimbursement Codes.

FISCAL ANALYST: Jim Landers
PHONE NUMBER: 232-9869

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: (Amended) The bill requires the following entities to begin using, not later than 90 days after the effective date, the most current version of specified diagnostic and procedure codes under which claims for health care services are submitted and paid: (1) an administrator of a state employee health benefit plan; (2) the Office of Medicaid Policy and Planning (OMPP); (3) an accident and sickness insurer; (4) an insurer that issues a worker's compensation policy; (5) an employer who has received a certificate from the worker's compensation board to carry its own worker's compensation risk without insurance; (6) the Indiana Comprehensive Health Insurance Association (ICHIA); (7) a health maintenance organization; (8) a limited service health maintenance organization; and (9) providers of health care services that are covered under a state employee health benefit plan, Indiana Medicaid, an accident and sickness insurance policy, a worker's compensation policy, an employer who has received a certificate from the worker's compensation board to carry its own worker's compensation risk without insurance, an Indiana Comprehensive Health Insurance Association policy, a health maintenance organization contract, or a limited service health maintenance organization. The bill requires payors to reimburse providers for covered services based on updated codes if the services are provided after the effective date of the updated codes. The bill also requires the Office of Medicaid Policy and Planning to electronically transmit updated codes to providers and health maintenance organizations that participate in the Medicaid program at least 30 days before the effective date of the updated codes.

Effective Date: July 1, 2001.

Explanation of State Expenditures: (Revised) *Reimbursement Code Updates:* The bill potentially could impact health plans providing health benefits to state employees. However, the specific effect of the update requirement is unknown but expected to be minimal.

The bill requires the most current version of the following reimbursement codes to be used within 90 days of their effective date by insurers, HMOs, the Office of Medicaid Policy and Planning (OMPP), the Indiana Comprehensive Health Insurance Association (ICHIA), and the state employee health plans. The codes

covered by the update requirement are: (1) The Current Procedural Terminology (CPT); the International Classification of Diseases Codes (ICDC); (2) the American Psychiatric Association's Diagnostic and Statistical Manual of Mental Disorders (DSM); (3) the Current Dental Terminology (CDT); (4) the Health Care Financing Administration's Common Procedure Coding System (HCPCS); and (5) the Third Party Administrator (TPA) codes. These codes are utilized in billing of claims between health care providers and payors, including insurers, HMOs, Indiana Medicaid, ICHIA, and the state employee health plans. The bill also requires that providers be reimbursed for services based on the reimbursement codes in effect at the time services were provided, regardless of whether the payor was using those reimbursement codes at that time.

It would appear that the potential impact will be minimal since insurers, HMOs, and other payors are likely already updating these codes on a periodic basis. For insurers, HMOs, and other payors that already update annually but not within the time frame established in the bill, the impact would be to accelerate the update process. For those insurers, HMOs, and other payors that don't update on an annual basis, there would an additional cost, possibly including costs relating to license fees and software updates. Also, problems reportedly arise when, on the one hand, the codes being utilized by health care providers are up to date, while codes being utilized by insurers and HMO's are not. Often this apparently arises in connection with new codes relating to new treatments and procedures. This variation in codes can result in claims being improperly rejected and, ultimately, in claims disputes. Consequently, the bill could lead to a reduction in this type of problem. (It is important to note that, in the event the requirements of this bill were to lead to increased premium costs for the state employee health plans, the state agrees to pay 93.5% of any increase in the total premiums for both single and family coverage. This is pursuant to an agreement between the state and its employees. Under the agreement, employees will pick up the remaining 6.5% of any increase.)

According to OMPP, new reimbursement codes effective January 1 are received by about the end of November during the prior year. These codes go through a review process to determine coverage of the code, prior authorization policy, and rates for the codes. They report that it is very difficult to complete the review process in time to put the new codes in place by January 1. Under this process, the code updates and changes are not finalized by January 1, and reportedly this results in some claims being denied until the coding updates are completed.

Code Transmission Requirement: The bill requires OMPP to transmit electronically the updated version of the CPT and ICD codes to providers and HMOs that participate in Medicaid. These updated codes would have to be transmitted at least 30 days prior to their effective date. The impact of this provision is unknown.

Requests for information on the provisions of this bill have been made to the State Department of Personnel; the Indiana Comprehensive Health Insurance Association; the Office of Medicaid Policy and Planning; and Anthem Insurance. As more information is received, this fiscal note will be updated.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) Similar to the state, the bill potentially could impact insurers and HMOs from which local governments and school corporations purchase health benefits for their employee health benefit plans. In the event the requirements of this bill were to lead to increased premium costs for local governments and school corporations, however, this may not necessarily imply additional budgetary outlays 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.

Explanation of Local Revenues:

State Agencies Affected: State Department of Personnel; Office of Medicaid Policy and Planning; Indiana Comprehensive Health Insurance Association.

Local Agencies Affected: Local Governments and School Corporations.

Information Sources: Jim Zieba, Indiana State Medical Association, 261-2060.
Liz Carroll, Department of Insurance, 232-2387.
Kathleen Gifford, Family and Social Services Agency, 233-4455.
Jim Bucher, OASYS, 614-2015.