Department of Planning and Budget
2006 Fiscal Impact Statement

1. **Bill Number** HB253

   House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Cosgrove

3. **Committee** Commerce and Labor

4. **Title** Health insurance; refusal to accept assignments prohibited.

5. **Summary/Purpose:**

   Prohibits health insurers from refusing to accept an assignment of benefits made by a patient to a physician.

6. **Fiscal Impact Estimates are:** Preliminary, See item 8.

7. **Budget amendment necessary:**

8. **Fiscal implications:** Currently, the state employee health insurance program maintains a network that allows through negotiated allowances, a discount in charges for professional services. The difference between the allowable charges that are reimbursed and the amounts that would otherwise have to be paid can be considerable. In fiscal year 2004, this difference was $193.2 million for the state employee plan and $68.5 million for the Local Choice program. This bill will most likely result in a reduction in these discounts.

   The provider for the State Employee and Local Choice plans Anthem, will not likely be able to maintain the same breadth of networks that are currently offered and health care costs will increase in two ways. First, insurance premiums will increase as higher fee schedules will be needed to entice enough providers to maintain even a smaller network. Second, more members will be exposed to the potential for balance billing as the number of non-contracting providers increases. This will be a particular risk in instances where there is little or no effective competition, which is the case with most hospital based physicians, and with many surgical specialties. (Balanced billing is when a provider bills the patient for the cost over the amount that the insurance covers.)

   The increased cost will result in higher premiums for both the employer and employee. A higher employer premium for the state employee plan will result in an increased general fund requirement. In addition, the premiums of retired state employees under the age of 65 will also increase (pre-Medicare retirees are included in the state employee health insurance program.) The magnitude of this additional cost depends on the actual loss in the professional services discount.

9. **Specific agency or political subdivisions affected:** All state agencies and political subdivisions.

10. **Technical amendment necessary:** No

11. **Other comments:** No

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cc: Secretary of Administration