

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6866

BILL NUMBER: HB 1309

DATE PREPARED: Dec 19, 1998

BILL AMENDED:

SUBJECT: Health Maintenance Organization Grievances.

FISCAL ANALYST: Alan Gossard

PHONE NUMBER: 233-3546

**FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL**

IMPACT: State

Summary of Legislation: This bill requires the Department of Insurance to establish a grievance procedure for appeal to the Department for resolution of grievances related to an adverse utilization review or medical necessity determination made by a health maintenance organization (HMO), or an agent of an HMO, that conflicts with the prescribing physician's plan of treatment. The bill requires the Insurance Commissioner to appoint or contract with a medical review professional for review of adverse utilization reviews and medical necessity determinations. It also requires the Commissioner to consider the findings of the medical review professional in the Commissioner's action on the grievance. The bill also requires that HMOs provide a copy of the external grievance procedure to enrollees.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill requires the Insurance Commissioner to appoint or contract with a medical review professional, who is a licensed physician, for review of adverse utilization reviews and medical necessity determinations. The Department of Insurance currently does not have anyone on staff that would meet these qualifications. The cost of hiring or contracting with medical review professionals is estimated to cost about \$85,000 annually.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance

Local Agencies Affected:

Information Sources: Liz Carroll, Department of Insurance, 232-2406.