

**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:** Apr 7, 1999

**BILL AMENDED:** Apr 5, 1999

**SUBJECT:** Health Maintenance Organization Grievances.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

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

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill requires a health maintenance organization (HMO) to establish a grievance procedure for appeal to an independent review organization for the resolution of grievances related to: (1) an adverse utilization review determination; (2) an adverse medical necessity determination; or (3) a determination that a proposed service is experimental or investigational; made by an HMO, or an agent of the HMO, regarding a service proposed by the treating physician. The bill provides that an external review may be requested within 45 days of the HMO's resolution. The bill also provides that the costs of the independent review are paid by the HMO, except a maximum \$25 fee which may be paid by the enrollee.

This bill requires annual reporting to the Department of Insurance and notice of the external review process to the enrollee. The Department of Insurance may certify a sufficient number of independent review organizations based on certain criteria. The bill provides that the determination is binding on the HMO. This bill also provides civil immunity for an independent review organization for good faith actions taken in connection with an external review and for an HMO for good faith actions taken in connection with an independent review organization's reversal of the HMO's resolution.

**Effective Date:** (Amended) July 1, 1999; July 1, 2000.

**Explanation of State Expenditures:** (Revised) This bill requires the Insurance Commissioner to certify independent review organizations for review of adverse utilization reviews and medical necessity determinations. The cost of this independent review is to be paid by: (1) the enrollee who is appealing (up to a maximum of \$25) and (2) the HMO. Consequently, this bill should have no net fiscal impact to the state.

**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.