

**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 9, 1999

BILL AMENDED: Apr 8, 1999

SUBJECT: Health Maintenance Organization Grievances.

FISCAL ANALYST: Alan Gossard

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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 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 an 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 costs of the independent review are to be paid by the HMO except a maximum \$25 filing fee which may be paid by the enrollee.

This bill also requires annual reporting to the Department of Insurance and notice of the external review process to the enrollee. The bill provides that the Department of Insurance shall certify a sufficient number of independent review organizations based on certain criteria. It also 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. The bill provides that the work product and determination, or both, of an independent review organization are admissible in a judicial or administrative proceeding, but do not, without other supporting evidence, satisfy any party's burden of proof or persuasion. The bill also requires an HMO or limited service HMO to notify an enrollee of the termination of a participating provider seen by the enrollee during the previous year.

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.