

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7625

BILL NUMBER: HB 1332

DATE PREPARED: Feb 17, 1999

BILL AMENDED: Feb 16, 1999

SUBJECT: Medical Director Liability.

FISCAL ANALYST: Alan Gossard

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill requires a health maintenance organization (HMO) to appoint a medical director who has an unlimited license to practice medicine in Indiana. (Current law allows an HMO to appoint a medical director who has an unlimited license to practice medicine in Indiana or an equivalent license issued by another state.)

This bill also provides for a duty of ordinary care for the medical director of a health insurance carrier, HMO, or other managed care entity when making health care treatment decisions involving covered services. The bill makes the medical director of a health insurance carrier, an HMO, or other managed care entity liable for harm resulting from health care treatment decisions made without exercising ordinary care.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill provides that insurance carriers and managed care organizations have the duty to exercise ordinary care when making health care treatment decisions and makes them liable for harm to an insured or enrollee that is proximately caused by the failure of the insurance carrier or managed care organization to exercise ordinary care. These provisions may result in additional litigation and claims expenses and additional costs for malpractice insurance to the health plans offered to state employees. The increased costs may be reflected in increased premiums and enrollment fees. Increased premiums and fees, however, may or may not result in additional costs to the state, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits.

Explanation of State Revenues:

Explanation of Local Expenditures: Similar to the state, increased premiums and enrollment fees arising from additional litigation and claims expenses and additional costs for malpractice insurance, may or may not result in additional costs to local governments and school corporations, depending upon administrative

action as to the determination of the employer/employee cost share for health plan benefits offered to employees.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local Governments and School Corporations.

Information Sources: