

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 24, 2008
POSITION: Oppose

BILL NUMBER: SB 1525
AUTHOR: S. Kuehl

BILL SUMMARY: Health Care Coverage: Medical Necessity Determinations

This bill would require health plans and insurers to report to the Department of Managed Health Care (DMHC) or the Department of Insurance (DOI), respectively, on the rate at which requests for health care services have resulted in delays, denials, or modifications of health care services or payments. This information would also be available to enrollees upon request. This bill would also require DMHC to review health plan procedures for making determinations of medical necessity during periodic onsite medical surveys.

FISCAL SUMMARY

DMHC staff estimate one-time costs of \$28,000 to draft regulations and perform minor information technology updates.

DOI staff estimate costs of \$138,000 in 2008-09 and \$222,000 ongoing to fund 3.0 positions. These costs would be to update rate reporting, provide name and professional numbers of medical professionals in correspondence and review medical necessity determinations in onsite medical surveys. Any request for additional resources would be reviewed during the normal budget development process.

COMMENTS

Finance opposes this bill because it would impose costly reporting requirements on health plans and insurers and contribute to increased administrative costs for health plans, thus having the potential to increase health care premiums across the state. It is also unknown what benefit would be derived from the data collection and reporting required by this bill.

Analyst/Principal (0741) E. Harper	Date	Program Budget Manager Mark Hill	Date
---------------------------------------	------	-------------------------------------	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
--------------------	-----	-------	---

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

S. Kuehl

April 24, 2008

SB 1525

ANALYSIS

A. Programmatic Analysis

Existing law:

- Establishes the Department of Managed Health Care (DMHC) and the Department of Insurance (DOI) for the purpose of licensure and regulation of health plans and insurers (“health plans”), respectively.
- Requires health plans to disclose their process for authorization of health services to their respective regulatory agency, as well as enrollees upon request.
- Requires health plans to meet certain requirements when approving, modifying, or denying requests for health care services including timeliness of evaluations, written notifications to enrollees of modifications to health care authorizations, and the requirement that only licensed health care professionals may evaluate clinical needs to deny or modify requests for authorization.
- Allows enrollees to request an independent medical review when a health plan delays, modifies or denies health care service authorization on the basis that the treatment is not medically necessary.
- Authorizes DMHC to conduct periodic site surveys of health care delivery systems which review the procedures for regulating utilization, peer review mechanisms, internal procedures for quality of care assessments, and other health care delivery performance measures.

This bill would:

- Require health plans and insurers to report to their respective regulatory agency on the rate at which requests for health care services have resulted in delays, denials, or modifications of health care services or payments and make this information available to enrollees upon request.
- Require correspondence to a health care provider or enrollee of a delay, modification or denial of health care service authorization to include the professional license number of the health care professional responsible for the delay, modification or denial.
- Require health plans, upon an enrollee request for an independent medical review, to provide the independent medical review organization a copy of relevant background information pertaining to the medical expertise and training of the medical director involved with the determination of medical necessity.

Discussion: According to the author’s office, the purpose of this bill is to address greater transparency in utilization management and provide additional information to enrollees on the utilization management process. Utilization management is defined as the process health plans use to review the medical necessity of health care services before treatment is administered. Upon determination by a licensed health care professional employed by a health plan, authorization for medical services can be delayed, modified or denied. In cases of delay, modification or denial, enrollees may engage in an independent medical review process coordinated by DMHC and DOI, which serves as an appeal to the plan’s decision to delay, modify or deny health care service authorization.

The additional information on utilization management that this bill would provide is of limited value for DMHC and DOI enforcement activities. DMHC reports that they already collect information on plan determinations of medical necessity during their required onsite medical surveys. Additionally, this bill requires considerable new data collection and reporting requirements for health plans that would impact the costs of health care.

B. Fiscal Analysis

DMHC staff estimate one-time costs of \$28,000 to draft regulations and perform minor information technology updates.

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)
AUTHOR

S. Kuehl

April 24, 2008

SB 1525

DOI staff estimate costs of \$138,000 in 2008-09 and \$222,000 ongoing to fund 3.0 positions. These costs would be to update rate reporting, provide name and professional numbers of medical professionals in correspondence and review medical necessity determinations in onsite medical surveys. Any request for additional resources would be reviewed during the normal budget development process.

Code/Department Agency or Revenue Type	SO		(Fiscal Impact by Fiscal Year)							Fund Code
	LA	CO	PROP		2008-2009		2009-2010		2010-2011	
	RV	98	FC	FC	FC	FC	FC	FC		
2400/MngedHltCare	SO	No	C	\$28		--		--	0933	
0845/Insurance	SO	No	C	\$138	C	\$222		--	0217	
<u>Fund Code</u>	<u>Title</u>									
0217	Insurance Fund									
0933	Managed Care Fund									