

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 645** HLS 13RS 799

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 7, 2013 6:49 PM	<b>Author:</b> CROMER
<b>Dept./Agy.:</b> Louisiana Department of Insurance	<b>Analyst:</b> Alan M. Boxberger
<b>Subject:</b> Provides relative to internal claims and appeals and external	

INSURANCE/HEALTH

RE INCREASE SG RV See Note

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Provides relative to an internal claims and appeals process and external review procedures for health insurance issuers

Present law generally establishes minimum standards required for entities that determine what medical services or procedures will be covered under a health benefit plan based on medical necessity. The entities responsible are designated as Medical Necessity Review Organizations (MNRO) and Independent Review Organizations (IRO). Proposed law revises the standards and provides for grievances and review of adverse determinations not limited solely based on medical necessity; establishes licensing and an annual report filing fee for a utilization review organization or an IRO; establishes utilization and benefit determination procedures, standards, and criteria for the structure and operation of a utilization review and benefit determination processes; provides with respect to the number of appeal levels and time frames; provides for expedited appeals and removes minimum dollar limit on appeals; provides that the cost to conduct reviews must be borne by the issuer or plan and allows a nominal filing fee; provides for allowable timeframes for completion of reviews; provides for notification of covered persons; provides for assigning of the IRO by LDI; and provides for other requirements. Effective 1/1/15.

<b>EXPENDITURES</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	SEE BELOW	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$105,000	\$8,000	\$16,000	\$8,000	<b>\$137,000</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$105,000</b>	<b>\$8,000</b>	<b>\$16,000</b>	<b>\$8,000</b>	<b>\$137,000</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The proposed law eliminates the existing appeals processes (medical necessity and external review) and replaces the processes prescribed by federal law (utilization and grievance appeals). This action changes the standards used in both medical necessity and external reviews, renames the entities performing the medical necessity reviews and requires licensure of the entities performing external reviews. Medical Necessity Review Organizations (MNRO) will become Utilization Review Organizations (URO) and will operate under additional standards. The proposed law requires the licensing of any entity that conducts a utilization review and requires licensure of Independent Review Organizations (IRO). The proposed law requires external reviews conducted by IROs to be assigned by the state or an independent entity on a random basis.

The Louisiana Department of Insurance reports that it will utilize an electronic assignment of IROs as part of an external appeal process. Website modifications required as a result of the proposed law can possibly be absorbed through LDI's existing information technology budget allocation. The information technology programming costs are estimated as a one-time expenditure of \$38,000, a cost LDI may be able to absorb within existing appropriation authority. There are currently 89 MNROs licensed with LDI and 16 IROs are registered in the state. The department indicates that licensure of all existing entities as an URO or IRO will require no additional resources or significant change in workload.

**REVENUE EXPLANATION**

To the degree that existing organizations providing the reviews under current law choose to become licensed as described in the proposed law, the potential increase in revenues to the Louisiana Department of Insurance is approximately \$105,000 in FY 15, and alternating \$8,000 and \$16,000 in subsequent fiscal years. However, the number of entities choosing to become licensed under the proposed law is indeterminable, and could be greater or lesser than the current number with the potential to increase revenues by amounts greater or smaller than described.

Proposed law sets licensing application fees for Utilization Review Organizations (URO) at \$1,500 and Independent Review Organizations (IRO) at \$500 for a two-year approval. Proposed law sets the annual report filing fee at \$500 for both organization types. There are currently 89 MNROs licensed with the Louisiana Department of Insurance (LDI) and 16 IROs are registered in the state. If all 105 of the currently licensed or registered entities choose to be licensed as an URO or IRO, additional revenue may be received by LDI.

**REVENUE EXPLANATION CONTINUED ON PAGE 2**

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*

**Evan Brasseaux**  
**Staff Director**

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**CONTINUED EXPLANATION from page one:**

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**REVENUE EXPLANATION CONTINUED FROM PAGE 1**

MRNOs currently pay a one-time licensing fee of \$1,500 and a \$500 annual report filing fee. In the first year of the proposed law, if the existing 89 licensed MRNOs apply for licensure as a URO, LDI may collect approximately \$89,000 in additional revenues ((89 MRNOs X \$1,500 proposed license fee) - (89 MRNOs x \$500 existing annual filing fee) = \$89,000) in FY 15 while the annual reporting fee in subsequent years would generate no additional revenues.

IROs are not currently licensed and do not file an annual report with LDI. If the existing 16 IROs elect to be licensed with LDI, the application for licensure will generate additional revenues of approximately \$8,000 biennially beginning in FY 15 (16 IROs X \$500 proposed biennial license fee = \$8,000) and continuing on a two year basis (FY 17, FY 19, etc.). Proposed law also requires an annual report filing fee from licensed IROs of \$500. The IRO filing fee would generate an additional \$8,000 in each year beginning in FY 15 (16 IROs x \$500 annual filing fee = \$8,000). Thus, the total estimated increase in revenues realized by LDI will be \$16,000 (licensure + annual report filing fee) in odd numbered FYs and \$8,000 (annual report filing fee only) in even numbered FYs.

Senate

Dual Referral Rules

House

- |   |  |
|---|--|
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}       | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}                        |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

*Evan Brasseaux*

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**Staff Director**