



DEPARTMENT OF AUDITS AND ACCOUNTS

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February 21, 2017

The Honorable Renee Unterman
Chairman, Health and Human Services
121-F State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
Senate Bill 8 (LC 37 2360S)

Dear Chairman Unterman:

This bill would require various disclosures by health care providers and insurance companies to address “surprise billing.” Surprise billing is defined as a bill for nonemergency healthcare services rendered by providers who do not participate in the insured patient’s network, though the services were given at a participating hospital or at the referral of a participating physician. The bill also establishes a dispute resolution process by which bills for emergency services or surprise bills may be resolved.

The bill requires the Office of Insurance and Safety Fire Commissioner (OCI) to establish the dispute resolution process and certify the independent entities that would oversee the proceedings. The Department of Community Health (DCH) is charged with maintaining data related to cost and reimbursement data. The agencies estimate the total cost of these responsibilities to be between \$4.4 and \$5.1 million in the first year and between \$231,000 and \$302,000 in subsequent years, as described below (see Table 1). Much of the first-year costs are associated with IT projects required of DCH, with DCH estimating \$3.5 million for the all-payer database to be used to inform the out-of-network reimbursement workgroup report due January 1, 2018.

Dispute Resolution – DCH

The majority of the costs (\$500,000 to \$1,000,000) are for the development of the benchmarking database that will establish the usual and customary costs used in dispute resolution proceedings (Table 1). DCH staff stated actual cost would depend on the extent to which DCH can use existing staff versus relying on a vendor. Ongoing costs ranging from \$44,000 to \$115,000 relate to obtaining the data from the nonprofit, storing the data (which may increase costs if the size requires a larger server), and managing the website.

Table 1. Estimated Costs for Dispute Resolution Activities and All Payer Database

	FY 2018		Subsequent Years	
	Low	High	Low	High
Benchmarking Database for Dispute Resolution: Department of Community Health				
IT Start-Up Costs				
Hardware & Software	\$175,000	\$300,000	N/A	N/A
Development	500,000	1,000,000	N/A	N/A
Administration & Maintenance				
Data Center Hosting	24,000	75,000	24,000	75,000
Content Management	5,000	10,000	5,000	10,000
Data Management & Extraction	15,000	30,000	15,000	30,000
Total	\$719,000	\$1,415,000	\$44,000	\$115,000
Dispute Resolution Staff: Office of Insurance and Safety Fire Commissioner				
Salary + Benefits				
Attorney	\$114,040	\$114,040	\$114,040	\$114,040
Dispute Resolution Examiner	73,311	73,311	73,311	73,311
Total	\$187,351	\$187,351	\$187,351	\$187,351
All Payer Database: Department of Community Health				
EDS Data Feeds/Interfaces	\$1,500,000	\$1,500,000	N/A	N/A
Collect, Load Data	1,000,000	1,000,000	N/A	N/A
EDS Hosting Costs	1,000,000	1,000,000	N/A	N/A
Total	\$3,500,000	\$3,500,000	N/A	N/A
Grand Total	\$4,406,351	\$5,102,351	\$231,351	\$302,351

Dispute Resolution – Office of Insurance and Safety Fire Commissioner

OCI estimates it would cost an additional \$187,400 to hire two full-time staff to administer the new dispute resolution process. An attorney would be responsible for overseeing the process and implementing regulations, with administrative support from an examiner.

All Payer Database – DCH

DCH officials stated they currently do not have the capacity to collect the health plan and provider information that the out-of-network reimbursement rate workgroup will use in developing an alternative rate methodology. DCH stated it would likely attempt to include all payer claims in the Electronic Data System warehouse that is currently being procured. However, it would be difficult to increase capability and obtain sufficient data in time to inform the workgroup, which must provide a report by January 1, 2018. DCH estimates that \$3.5 million would be needed to collect, load, and store the reimbursement and charge data. Officials did not provide a range of potential costs.

Impact to State Health Benefit Plan

DCH did not believe State Health Benefit Plan costs would be impacted by the bill because the plan is largely self-funded and not subject to state insurance regulation. It is possible that SHBP's fully insured Kaiser offering may incur additional costs from dispute resolution proceedings, but the potential impact is not quantifiable at this time.

Sincerely,



Greg S. Griffin
State Auditor



Teresa A. MacCartney, Director
Office of Planning and Budget

GSG/TAM/ed