Individual State Agency Fiscal Note

Bill Number: 5537 SB	Title: Health care price data	Agency: 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	2.3	4.1	3.2	3.4	2.6
Account					
Insurance Commissioners Regulatory Account-State 138-1	1,566,185	1,147,064	2,713,249	2,749,189	2,356,512
Total $	1,566,185	1,147,064	2,713,249	2,749,189	2,356,512

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 3 requires all health insuring entities, as defined in section 2, to submit "price and quality data" to the commissioner, and to large group purchasers that include the information for each provider and facility. This section also requires that the insurer contracts with providers and facilities include a requirement that allows the release of price and quality information to the commissioner and large group purchasers. To ensure that the requisite language is in each provider and facility contract, provider contract templates must be filed with our office for review and approval.

Sections 3(2)(3)(4) require the commissioner to adopt rules to clarify the required data and the format for submission.

Section 3(5) allows the commissioner to designate a health plan statistical agent to be responsible for collection, auditing, preparation, and reporting of the health care-related data and information. It is the OIC's intent to utilize a health plan statistical agent and therefore, as required in section 3(5) (a), the commissioner must adopt rules for the statistical agent to use when collecting and reporting the health plan statistical data.

Because of the complexities of the data and reporting requirements required to be adopted by rule, it will be necessary for the OIC to use the services of a contractor. The contractor will develop the required data and format for submission by "insuring entities" and for the "health plan statistical agent" to use when collecting and reporting data. The contractor will also assist in building the "health plan statistical agent" procurement documents with sufficient levels of detail and requirements; and assist with the rule making required in section 3. We anticipate that the data and reporting rules will be effective January 1, 2015.

Once rules are developed, the OIC will procure for a "health plan statistical agent". We assume that the scope and cost of the contractor will, at a minimum, be equivalent to that incurred or estimated by other states' all-payer claims databases, which collect the same claims and enrollment data, but not the cost, pricing, quality and utilization data. We anticipate that the contractor will begin accepting data submittals in January 2016.

Section 5(2) requires the commissioner to adopt a schedule of penalties for insuring entities that fail to report as required under the rules adopted under section 3. Simple rule making will be required.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Section 3 requires all health insuring entities, as defined in section 2, to submit "price and quality data" to the commissioner, and to large group purchasers that include the information for each provider and facility. This section also requires that the insurer contracts with providers and facilities include a requirement that allows the release of price and

quality information to the commissioner and large group purchasers. To ensure that the requisite language is in each provider and facility contract, provider contract templates must be filed with our office for review and approval. This additional review effort will require .4 FTE Functional Program Analyst 4.

Sections 3(2)(3)(4) require the commissioner to adopt rules to clarify the required data and the format for submission. The types of data must include at a minimum: Health care claims and enrollment data; paid health care claims data; and data related to costs, prices, quality, and utilization. The rules must establish criteria and procedures for the development of limited use data sets and to ensure that the data sets are accessible and compliant with federal and state privacy laws. Complex rule making will be required.

Section 3(5) allows the commissioner to designate a health plan statistical agent to be responsible for collection, auditing, preparation, and reporting of the health care-related data and information. It is the OIC's intent to utilize a health plan statistical agent and therefore, as required in section 3(5)(a), the commissioner must adopt rules for the statistical agent to use when collecting and reporting the health plan statistical data. The rules must, at a minimum, establish the time, place, form, and manner of reporting data under this bill. Rules must require the use of unique patient and provider identifiers; specify a uniform coding system that reflects all health care utilization and costs; establish enrollment thresholds below which reporting will be voluntary; and establish the types of data insuring entities must report under this bill including health care claims and enrollment data, paid health care claims data; data related to race, ethnicity and primary language, and any other data or statistics the commissioner needs to carry out the purposes of this bill. Complex rule making will be required.

Because of the complexities of the data and reporting requirements required to be adopted by rule, it will be necessary for the OIC to use the services of a contractor. The contractor will develop the required data and format for submission by "insuring entities" and for the "health plan statistical agent" to use when collecting and reporting data. The contractor will also assist in building the "health plan statistical agent" procurement documents with sufficient levels of detail and requirements; and assist with the rule making required in section 3. We are assuming that the contractor costs for the data development required to implement this bill will be $1.3 million (approximately double that of the 2011-13 K-12 study, which is much less detailed in nature). In addition, 1.0 FTE Senior Policy Analyst will be required to administer the data development effort, with the support of .5 FTE Administrative Assistant 4 and .6 FTE Management Analyst 5. 0.2 FTE Staff Attorney will be required to provide legal support regarding ERISA-based challenges from some of the defined health insuring entities. We anticipate that the data and reporting rules will be effective January 1, 2015.

Once rules are developed, the OIC will procure for a "health plan statistical agent". We assume that the scope and cost of the contractor will, at a minimum, be equivalent to that incurred or estimated by other states' all-payer claims databases, which collect the same claims and enrollment data, but not the cost, pricing, quality and utilization data. Based on an estimate from Milliman, who operates all-payer claims databases for many states, the database system development is estimated to cost $1.3 million with ongoing operational vendor costs of $900,000 annually. We anticipate that the contractor will begin accepting data submittals in January 2016. During the initial year of database implementation, 3.0 FTE Functional Program Analyst 3 are required, primarily because many of the entities required to report are not currently regulated by the Commissioner. When implementing a program involving unregulated entities, such as the medical malpractice reporting program, our experience has been that this level of staffing is necessary. After the first operational year, .6 FTE Senior Policy Analyst to oversee reporting criteria and further development of limited data sets, particularly related to the qualitative aspects of the required data sets.

Section 5(2) requires the commissioner to adopt a schedule of penalties for insuring entities that fail to report as required under the rules adopted under section 3. Simple rule making will be required. After the first operational year, 2.0 FTE Functional Program Analyst 3 will be required for ongoing administration to oversee the vendor; and impose and enforcement penalties.

Ongoing costs:
Salary, benefits and related costs for 2.0 FTE Functional Program Analyst 3 and .60 FTE Senior Policy Analyst.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	2.3	4.1	3.2	3.4	2.6
A-Salaries and Wages	165,435	310,704	476,139	460,260	342,476
B-Employee Benefits	47,513	86,947	134,460	136,691	102,734
C-Professional Service Contracts	1,300,000	650,000	1,950,000	2,000,000	1,800,000
E-Goods and Other Services	53,237	99,413	152,650	149,238	111,302
G-Travel					
J-Capital Outlays				3,000	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	$1,566,185	$1,147,064	$2,713,249	$2,749,189	$2,356,512

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
Administrative Assistant 4	48,168	0.5	0.5	0.5	0.1	
Functional Program Analyst 3	60,120				2.0	2.0
Functional Program Analyst 4	66,420		0.4	0.2	0.2	
Management Analyst 5	68,016	0.6	0.6	0.6	0.2	
Senior Policy Analyst	84,996	1.0	2.4	1.7	0.9	0.6
Staff Attorney	77,724	0.2	0.2	0.2	0.1	
Total FTE's	405,444	2.3	4.1	3.2	3.4	2.6

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Sections 3(2)(3)(4) require the commissioner to adopt rules to clarify the required data and the format for submission. The types of data must include at a minimum: Health care claims and enrollment data; paid health care claims data; and data related to costs, prices, quality, and utilization. The rules must establish criteria and procedures for the development of limited use data sets and to ensure that the data sets are accessible and compliant with federal and state privacy laws. Complex rule making will be required.

Section 3(5) allows the commissioner to designate a health plan statistical agent to be responsible for collection, auditing, preparation, and reporting of the health care-related data and information. It is the OIC's intent to utilize a health plan statistical agent and therefore, as required in section 3(5) (a), the commissioner must adopt rules for the statistical agent to use when collecting and reporting the health plan statistical data. The rules must, at a minimum, establish the time, place, form, and manner of reporting data under this bill. Rules must require the use of unique patient and provider identifiers; specify a uniform coding system that reflects all health care utilization and costs; establish enrollment thresholds below which reporting will be voluntary; and establish the types of data insuring entities must report under this bill including health care claims and enrollment data, paid health care claims data; data related to race, ethnicity and primary language, and any other data or statistics the commissioner needs to carry out the purposes of this bill. Complex rule making will be required.

Section 5(2) requires the commissioner to adopt a schedule of penalties for insuring entities that fail to report as required under the rules adopted under section 3. Simple rule making will be required.