

UNSOLICITED
EXECUTIVE AGENCY
FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: May 3, 2017

Agency Submitting: Public Employees' Benefits Program

Items of Revenue or Expense, or Both	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Effect on Future Biennia
Self-Funded Claims Costs (Expense)		\$178,305	\$185,438	\$393,426
Self-Funded Admin Costs (Expense)		\$43,050	\$43,050	\$86,100
Personnel (Expense)		\$55,941	\$76,409	\$162,098
Total	0	\$277,296	\$304,897	\$641,624

Explanation

(Use Additional Sheets of Attachments, if required)

PEBP has reviewed AB 382 as amended and determined that there will be a fiscal impact to the plan. The attached document outlines costs for emergency services, mediation and the addition of a Management Analyst 2 position to manage the reporting requirements of this bill.

Name Damon Haycock

Title Executive Officer

DESCRIPTION OF FISCAL EFFECT

BDR/Bill/Amendment Number: AB 382

Name of Agency: Public Employees' Benefits Program

Division/Department: _____

Date: 2-May-17

Summary of Out of Network Provider/Emergency Services Cost

	FY18	FY19	FY20	FY21
Emergency Services	\$ 178,305	\$ 185,438	\$ 192,856	\$ 200,570
			\$	393,426
Mediation	\$ 43,050	\$ 43,050	\$ 43,050	\$ 43,050
			\$	86,100
Management Analyst 2	\$ 55,941	\$ 76,409	\$ 79,460	\$ 82,638
			\$	162,098
Total	\$ 277,296.29	\$ 304,897.00	\$ 315,366.00	\$ 326,258.00
			\$	641,624.00

Note: See Cost Dist Med Claims tab for detail

DESCRIPTION OF FISCAL EFFECT

BDR/Bill/Amendment Number: AB 382

Name of Agency: Public Employees' Benefits Program

Division/Department: _____

Date: 2-May-17

Fiscal Year 2016 (July 1, 2015 - June 30, 2016) Analysis for Base Year

Total Emergency Claims (In-Network and Out-of-Network)	Total In-Network and Out-of-Network Claims Amount	Total Out-of-Network Emergency Claims Amount	% of Out-of-Network Emergency Claims	% of Out-of-Network Emergency Claims Amount							
17,401	\$ 11,500,000	\$ 237,000	13%	2%							
Number of Out-of-Network Claims for Emergency Services	Billed Amount	Paid Amount	Difference	Discount off Billed	Mediation Cost / Claim	Claims (Billed - Paid) in Excess of \$350	Total Billed - Paid with Excess over \$350	Mediation Annual Cost (in FY16)	If PEBP Split the Difference in Mediation	Total PEBP Exposure in FY16	
2,316	\$ 624,000	\$ 237,000	\$ 387,000	62%	\$350	109	\$85,000	\$ 38,150	\$ 42,500	\$ 80,650	

PEBP had 2,316 out-of-network claims for emergency services in FY2016.

PEBP paid on average 38% of billed charges for out-of-network emergency services.

PEBP pays \$700 for third party reviews to GovCHA. PEBP would split this with providers for mediation (\$350).

PEBP had only 109 claims with greater than \$350 differences between billed and paid (the rest wouldn't be worth paying mediation).

Of the 109 claims, PEBP shows a \$85,000 total difference between billed and paid (available to mediate).

PEBP assumes mediation would result in a 50/50 split resulting in \$42,500 of liability.

PEBP would pay out \$42,500 in additional claims through mediation plus \$38,150 in mediation fees to GovCHA totalling \$80,650.

Projection for FY18 and Beyond

If Emergency Service Providers Left Networks for Higher Out-of-Network Reimbursements

% of Out-of-Network Emergency Claims Amount	Total Out-of-Network Emergency Claims Amount	Equivalent Billed Amount (62% More than Paid Today)	Potential PEBP Exposure (Difference)	If PEBP Split the Difference in Mediation	FY19	FY20	FY21
5%	\$ 575,000	\$ 931,611	\$ 356,611	\$ 178,305.29	\$ 185,438	\$ 192,856	\$ 200,570
10%	\$ 1,150,000	\$ 1,863,221	\$ 713,221	\$ 356,610.58			
15%	\$ 1,725,000	\$ 2,794,832	\$ 1,069,832	\$ 534,915.87			\$ 393,426
20%	\$ 2,300,000	\$ 3,726,442	\$ 1,426,442	\$ 713,221.15			
25%	\$ 2,875,000	\$ 4,658,053	\$ 1,783,053	\$ 891,526.44			

If Out-of-Network Claims amounts increased from 2% (5%, 10%, 15%, 20%, 25%, etc.), PEBP would expect to lose 50% of the discount through mediation. PEBP assumes mediation would result in a 50/50 split resulting between \$1780k and \$892k of liability pending claims amounts.

% of Out-of-Network Emergency Claims	Number of Out- of-Network Claims for Emergency Services	Projected Number of Claims (Billed - Paid) in Excess of \$350	Mediation Cost / Claim	Projected Mediation Annual Costs	FY19	FY20	FY21
15%	2,610	123	\$350	\$ 43,050	\$ 43,050	\$ 43,050	\$ 43,050
20%	3,480	164	\$350	\$ 57,400			\$ 86,100
25%	4,350	205	\$350	\$ 71,750			.
30%	5,220	246	\$350	\$ 86,100			
35%	6,090	287	\$350	\$ 100,450			

If Out-of-Network Claims increased from 13% (15%, 20%, 25%, 30%, 35%, etc.), PEBP would expect to pay between \$57k and \$100k in mediation fees to GovCHA pending number of claims mediated.

Reporting Requirements to the Commissioner of Insurance

New Position	Grade And Step	Salary	Fringe	Total Cost to PEBP		FY19	FY20	FY21
Management Analyst II								
	35-5	36,779	19,162	55,941	FY18	76,409	79,460	82,638
	35-6	50,627	25,782	76,409	FY19			162,098
	35-7	52,905	26,555	79,460	FY20			
	35-8	55,286	27,352	82,638	FY21			

Section 20, subsection 4 of the amendment requires Third Party's (PEBP) to "Submit once each calendar quarter to the Commissioner of Insurance and the Legislative Committee on Health Care a report containing a summary of the reviews conducted pursuant to subsections 1 and 2 and the educational efforts undertaken pursuant to subsection 3." The reporting requirements do not detail if basic reimbursement rates (Percentage off Billed Charges, Percentage of Medicare Allowable, Fixed Category Pricing, etc.) are reported or the details of reimbursement (CPT code for code reporting, etc.) will be required. Pending the level of detail needed and the quarterly reporting timeframe, PEBP does not have sufficient staff to meet this requirement and will need to increase staffing with the addition of a Management Analyst II to meet reporting and mediation needs at PEBP.

Note: Position costs assumes an MA2 Step 5. First year costs are for 9 months assuming a position approval date of October 1, 2017. Position costs for FY20 and FY21 assumes 4.5% increase in salary and 3% increase in fringe.