

**EXECUTIVE AGENCY**  
**FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: April 1, 2017

Agency Submitting: Public Employees' Benefits Program

<b>Items of Revenue or Expense, or Both</b>	<b>Fiscal Year 2016-17</b>	<b>Fiscal Year 2017-18</b>	<b>Fiscal Year 2018-19</b>	<b>Effect on Future Biennia</b>
Self-Funded Claims (Expense)		\$4,480,089	\$4,659,293	\$9,885,155
Total	0	\$4,480,089	\$4,659,293	\$9,885,155

Explanation

(Use Additional Sheets of Attachments, if required)

The Public Employees' Benefits Program requires prior authorization for certain services through a Utilization Management process. Clinical professionals work with patients and their family members, caregivers and other health care providers to assist with needs that are complex, costly and/or high-technology such as those related to organ and tissue transplants, certain cancer treatments, serious head injuries, hospice care or certain behavioral health issues. This bill as written limits PEBP's ability to manage the health plan and realize savings through its utilization management process resulting in higher overall costs to the plan. Higher costs will be paid through increased employer and employee contributions or a reduction in plan benefits.

Name Damon Haycock

Title Executive Officer

**GOVERNOR'S OFFICE OF FINANCE COMMENTS**

Date Monday, March 27, 2017

The agency's response appears reasonable.

Name Nikki Hovden

Title Exec. Branch Budget Officer

## DESCRIPTION OF FISCAL EFFECT

BDR/Bill/Amendment  
Number: **57-592**

Name of Agency: **Public Employees' Benefits Program**

Division/Department:

Date: **March 27, 2017**

### Utilization Management Savings As Reported by Hometown Health

Fiscal Year	Period	Savings
FY17	Q1 - Q2	\$ 2,153,889.00
FY16	Q1 - Q4	\$ 4,225,799.00
FY15	Q1 - Q4	\$ 1,554,425.00
		<b>\$ 7,934,113.00</b>

### Savings Trended Forward to Future Years

FY17	FY18	FY19	FY20	FY21
\$4,307,778.00	\$4,480,089.12	\$4,659,292.68	\$4,845,664.39	\$5,039,490.97
			\$9,885,155.36	

Utilization management is a process where the clinical professionals at the utilization management company work with patients and their family members, caregivers and other health care providers to assist with coordination of various medical treatment needs of patients. Utilization management services are particularly helpful when a plan participant (patient) needs complex, costly and/or high-technology services such as those related to organ and tissue transplants, certain cancer treatments, serious head injuries, hospice care or certain behavioral health issues.

PEBP has mandatory precertification requirements to protect the participants and to provide cost containment strategies for the plan.

The requirements of the bill would take away PEBP's ability to manage the health plan. Requiring continuation of coverage even when an individual transitions from another health plan requires PEBP provide coverage for a service or treatment that may not otherwise be covered. This would require exceptions to benefits allowed and documented in the Master Plan Document or require mid year plan changes. The bill as written limits PEBP's ability to realize savings through its utilization management process. Ultimately increases in claims costs results in an increase to employer and employee contributions or reduction to plan benefits.

Accepting responsibility for another plan's decision also requires PEBP to accept liability for decisions that may not be in the best interest of the participant.