



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 98 of the 128th G.A.

Date: February 1, 2010

Status: As Introduced

Sponsor: Sen. Patton

Local Impact Statement Procedure Required: No — No local cost

Contents: To establish standards for physician designations by health care insurers

State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase
Operating Fund (Fund 5540) – Department of Insurance			
Revenues	Potential minimal gain	Potential minimal gain	Potential minimal gain
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill may increase the Department of Insurance's administrative costs to oversee the physician designation requirements. It may also increase fines and penalties collected by the Department if an insurer violates such requirements. Any increase in administrative costs would depend on insurer compliance with the bill's provisions, and would be paid from the Department of Insurance Operating Fund (Fund 5540).

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill proposes to establish uniform standards and procedures to be used by "health insurers," including a state health benefit plan, a local government's health benefit plan, and the state's Medicaid Program, when making "physician designations." The bill defines a "physician designation" to be "a grade, star, tier, or any other rating" that an insurer might use to represent its assessment of a physician's cost efficiency, quality of care, or clinical performance. The bill requires insurers that employ physician designations to follow the proposed standards and procedures as specified in the bill when assigning them. The bill provides that a pattern of violation of the requirements by a health insurer, which is regulated by the Department of Insurance, would be considered an unfair and deceptive act or practice in the business of insurance.

The bill requires an insurer to provide a written notice to a physician about his or her initial designation and any changes to the designation thereafter before it discloses such designation to the public. Any public disclosure related to a physician designation must include certain disclaimers as specified by the bill. The bill also allows a physician who is subject to such designation to challenge and appeal his or her designation to the insurer. The bill specifies that an insurer must include a quality-of-care component in its designations, use statistical analyses in making them, and disclose complete data and methodology used in its designation if requested.

Fiscal effect

The bill may minimally increase the Department of Insurance's administrative costs to oversee the physician designation requirements. It may also increase the Department's penalties collection if an insurer, which is regulated by the Department, violates the bill's requirements. Unfair or deceptive acts or practices in the business of insurance may be subject to civil penalties up to \$3,500 per violation, or \$35,000 in the aggregate during a six-month period, under section 3901.22 of the Revised Code. That section also allows the Department to recover one-half its costs of enforcing the law, up to \$100,000, with the recovered amount to be deposited in Fund 5540. Any increase in administrative costs would depend on insurer compliance with the law, and would be paid from Fund 5540.

The provisions in the bill have no direct fiscal impact on local governments or on the state as providers of health insurance benefits. The provision that requires "health insurers" that employ a physician designation system to use the proposed standards in this bill may affect the bargaining power between physicians and the insurers that pay them, and could thus affect health insurance premiums paid to provide coverage to employees and their dependents. As of this writing, LSC staff could not determine whether the state's health benefit plan, the state's Medicaid Program, or a local government's health benefit plan currently assign a physician designation. LSC staff

would consider any effect the bill may have on health insurance premiums to be indirect fiscal effects.

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