



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

**Bill:** S.B. 49 of the 130th G.A.

**Date:** March 13, 2013

**Status:** As Introduced

**Sponsor:** Sen. Patton

**Local Impact Statement Procedure Required:** No

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

### State Fiscal Highlights

STATE FUND	FY 2013	FY 2014	FUTURE YEARS
<b>Operating Fund (Fund 5540) Department of Insurance</b>			
Revenues	- 0 -	Potential minimal gain	Potential minimal gain
Expenditures	- 0 -	Potential minimal increase	Potential minimal increase

Note: The state fiscal year is July 1 through June 30. For example, FY 2013 is July 1, 2012 – June 30, 2013.

- The bill may increase the Department of Insurance's administrative costs to oversee the physician designation program 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.

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## Detailed Fiscal Analysis

The bill establishes 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, that have a physician designation program.<sup>1</sup> The bill requires insurers to use a single set of criteria that might be used in the designation program, identified in either the patient charter that is most current at the time or in another version that was in effect at any time during the 12-month period immediately preceding the time at which the system is being operated.

The bill requires an insurer that employs physician designations to submit to the Superintendent of Insurance a certificate from an approved independent ratings examiner attesting that the insurer has been in compliance with the requirements of the bill. S.B. 49 provides that if a health care insurer had been operating a system for making physician designations for at least three months on the effective date of this bill, the first certificate that is required to be submitted is due not later than six months after the effective date of this bill. Thereafter, the health care insurer must submit such certificates annually in accordance with the schedule established by the Superintendent of Insurance. The bill specifies that an insurer that employs physician designations must pay for all charges assessed by the independent ratings examiners related to the issuance of the certificate.

The bill requires the Superintendent of Insurance to establish a process for approving an independent ratings examiner based on the criteria as specified by the bill. The bill provides that a pattern of violations of the requirements of the bill by a health insurer would be considered an unfair and deceptive act or practice in the business of insurance.

The bill also provides that the Ohio Department of Job and Family Services (ODJFS) may operate a physician designation program for purposes of the Medicaid Program, and the Department must extend the system to managed care organizations when contracting with such organizations. The bill provides that ODJFS must follow certain proposed standards when operating a physician designation program, and specifies that the Department of Insurance has no authority over ODJFS in the operation of that program.

### **Fiscal effect**

The bill may minimally increase the Department of Insurance's administrative costs to oversee the physician designation program requirements and may also increase collection if insurers violate 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

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<sup>1</sup> The bill defines a physician designation to be "a grade, star, tier, or any other rating" the insurer might use to represent its assessment of a physician's cost efficiency, quality of care, or clinical performance.

\$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 the Department of Insurance Operating Fund (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 operate 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 operate a system for making a physician designation. LSC staff would consider any effect the bill may have on health insurance premiums to be indirect fiscal effects.