

STORAGE NAME: h3731s1.hcs

DATE: March 21, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
HEALTH CARE SERVICES
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 3731

RELATING TO: Health Insurance

SPONSOR(S): The Committee on Health Care Services and Rep. Byrd

COMPANION BILL(S): SB 1752 (Similar)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) HEALTH CARE SERVICES YEAS 11 NAYS 0
 - (2) HEALTH AND HUMAN SERVICES APPROPRIATIONS
 - (3)
 - (4)
 - (5)
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I. SUMMARY:

CS/HB 3731 revises standards for the operation of prepaid limited health service organizations (PLHSOs) as follows. The bill:

- ▶ Requires each PLHSO to make available to each subscriber, upon request, a detailed description of the process used to authorize and cover services, determine medical necessity, or examine qualifications and credentials of providers.
- ▶ Requires each PLHSO to report annually to the Department of Insurance the total number of grievances handled, a categorization of the cases underlying the grievances, and the final disposition of the grievances.

This legislation has no fiscal impact on state or local government.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Chapter 636, F.S., created by chapter 93-148, Laws of Florida, provides for the Department of Insurance (DOI or department) to license and regulate prepaid limited health service organizations. These organizations are similar to health maintenance organizations, but are limited to the provision of the following services: ambulance, dental care, vision care, mental health, substance abuse, chiropractic care, podiatric care, and pharmaceutical. Prepaid limited health service organizations may not offer inpatient or surgical hospital services or emergency services, except as such services are incidental to a limited health service. Through a PLHSO, subscribers receive services from providers such as physicians, dentists, health facilities, or other persons or institutions which are licensed in Florida to deliver limited health services, as defined in subsection 636.003(7), F.S.

As provided under s. 636.005, F.S., prepaid limited health service organizations must be incorporated, and they may be either a for-profit or not-for-profit corporation. Such an organization may be incorporated in a state other than Florida, if it maintains a certificate of authority or license in that state to provide the same services which it intends to provide in Florida at the time it applies for a certificate of authority from DOI. Section 636.006, F.S., prohibits PLHSOs from engaging in the insurance business.

Subsection 636.016(2), F.S., requires PLHSOs to provide each subscriber with a contract, certificate, membership card, or member handbook which must clearly state all of the services to which a subscriber is entitled under the contract and must include a clear and understandable statement regarding any limitations on the services or kinds of services to be provided. Section 636.018, F.S., provides for changes in rates and benefits, material modifications, and the addition of limited health services. Paragraph 636.018(1)(a), F.S., provides that a PLHSO contract, certificate of coverage, or application may not be delivered in Florida unless the forms and rates have been filed with DOI by or on behalf of the PLHSO and have been approved by the department. To change contract terms or any documents that are made part of the contract and provided to subscribers, a PLHSO must file a notice of the change with DOI at least 30 days prior to its effective date and provide at least 30 days' written notice to subscribers before implementing any approved change.

Section 636.035, F.S., expressly allocates financial liability to the PLHSO for services rendered to a PLHSO subscriber by a provider under contract with the PLHSO, and requires that such contracts state so explicitly. Under this provision a physician, dentist, health care institution, or other provider is prohibited from collecting or attempting to collect money for services covered by a PLHSO from a subscriber in good standing, except for copayments or deductibles. Section 636.038, F.S., requires every PLHSO to establish and maintain a complaint system providing reasonable procedures for resolving written complaints initiated by enrollees and providers. This section does not preclude an enrollee or a provider from filing a complaint with the department or limit the department's ability to investigate such complaints.

B. EFFECT OF PROPOSED CHANGES:

PLHSO subscribers will have access to detailed information used by the organization to authorize and approve access to services and the process used to analyze the qualifications and credential of providers under contract with the PLHSO.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes, PLHSOs will have additional requirements relating to providing information to subscribers and to the department relating to subscriber grievances.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

No.

- b. Does the bill require or authorize an increase in any fees?

No.

- c. Does the bill reduce total taxes, both rates and revenues?

No.

- d. Does the bill reduce total fees, both rates and revenues?

No.

- e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

Yes, through premiums.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

No.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

ss. 636.016, and 627.638, F.S.

E. SECTION-BY-SECTION RESEARCH:

Section 1. Amends s. 636.016, F.S., relating to PLHSO contracts, to require each PLHSO to make available to each subscriber, upon request, a description of the process used to authorize and refer services, or examine the qualifications and credentials of providers under contract with the organization. A PLHSO is required to include in its member handbook printed after October 1, 1998, the department's address and the number of the department's toll-free consumer hotline.

Section 2. Amends s. 636.038, F.S., to require each PLHSO to report annually to the Department of Insurance the total number of grievances handled, a categorization of the cases underlying the grievances, and the final disposition of the grievances.

Section 3. Provides an effective date of October 1 of the year in which it is enacted.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

PLHSOs will face slight additional costs in complying with the provisions of this act.

2. Direct Private Sector Benefits:

Subscribers to PLHSOs will have more consumer protections.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 19, 1998, the Committee on Health Care Services adopted a delete all amendment which does the following:

Requires each PLHSO to make available to all subscribers a description of the authorization and referral process for services and a description of the process used to analyze the qualifications and credentials of providers. Certain literature provided to subscribers must include the address of the department and the department's toll-free consumer hot line.

Requires each PLHSO to report annually to the department the total number of grievances handled by class of grievance and the final disposition of all grievances.

VII. SIGNATURES:

COMMITTEE ON HEALTH CARE SERVICES:

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