HOUSE OF REPRESENTATIVES
COMMITTEE ON
HEALTH CARE STANDARDS AND REGULATORY REFORM
BILL RESEARCH & ECONOMIC IMPACT STATEMENT

BILL #: HB 4741 (Formerly PCB HCR 98-3)

RELATING TO: Fiscal Intermediary Services/Managed Care

SPONSOR(S): Committee on Health Care Standards and Regulatory Reform and Representative Jones

COMPANION BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) HEALTH CARE STANDARDS AND REGULATORY REFORM YEAS 8 NAYS 0
(2)
(3)
(4)
(5)

I. SUMMARY:

Fiscal intermediary services are regulated under s.641.316, F.S. Currently, there are a number of these entities that perform fiduciary or fiscal intermediary services for health care practitioners (service providers) who contract with an HMO or other managed health organization. These organizations can receive the billing from the providers, bill the managed care entities and distribute the funds received from the managed care entities to the appropriate provider. They provide a service to both the provider and the managed care entities.

HB 4741 amends s. 641.316, F.S., to require a fiscal intermediary to secure and maintain a **fidelity bond** equal to 10 percent of the funds handled in the prior year, or $1 million, which ever is lower. The minimum bond amount shall be $50,000. The fidelity bond protects the fiscal intermediary from loss caused by dishonest employees. It must be maintained for as long as the intermediary does business in the State.

The current requirement for a $10 million fidelity bond is repealed.

It requires a fiscal intermediary to secure and maintain a **surety bond** on file with the Department of Insurance (DOI), naming the intermediary as principal. The bond must be with a company authorized to do business in the State, and the DOI shall be obligee on behalf of third parties. The bond shall be 5 percent of the funds handled in the prior year, or $ 250,000, which ever is lower. The minimum surety bond amount shall be $10,000. A condition of the bond is that the intermediary register with the DOI, and not misappropriate funds as a fiscal intermediary or fiduciary. The surety bond shall be continuous in form, and renewed annually by a continuation certificate.

This bill should have no fiscal impact on the State, local government, or the private sector in general.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Fiscal Intermediary Services. These services are regulated under s.641.316, F.S. Currently, there are a number of these entities that perform fiduciary or fiscal intermediary services for health care practitioners (service providers) who contract with an HMO or other managed health organization. These organizations can receive the billing from the providers, bill the managed care entities and distribute the funds received from the managed care entities to the appropriate provider. They provide a service to both the provider and the managed care entities. Considerable amounts of money flow through these fiscal intermediaries. The number of fiscal intermediaries and the amount of money handled in a fiscal year is not known. They are not required to register with the Department of Insurance, and prior to 1997, maintain a fidelity bond, or have annual financial or compliance audits. While most fiscal intermediaries are reputable and handle all provider funds correctly, there have been incidents where an intermediary either went bankrupt or misappropriated health care provider funds.

In 1997, an attempt was made by the Legislature to regulate these entities in CS/CS/HB 297 and 325. The proposed legislation provided by the Department of Insurance (DOI) required registration with the Department of Insurance and maintenance of a $10 million fidelity bond for certain entities performing fiscal intermediary services for health care practitioners who contract with certain managed care entities. In addition, the Florida Commission on Integrated Health Care Delivery Systems composed of 13 members was created. The Commission was to submit its recommendations for legislation to the Legislature by January 1, 1998. The Commission was repealed on the last day of the regular 1998 Session of the Legislature.

However, during 1997-98, only two or three of the fiscal intermediaries inquired of the Department of Insurance about registering and none of the entities actually registered or obtained the required $10 million bond. Indications were that the required bond was not available.

While the Commission was formed and provided a report to the 1998 Legislature, it did not address the issues of controlling fiscal intermediaries or provide recommended language to correct the problem with the lack of bonding.

B. EFFECT OF PROPOSED CHANGES:

Amends s. 641.316, F.S., to require a fiscal intermediary to secure and maintain a fidelity bond equal to 10 percent of the funds handled in the prior year, or $1 million, which ever is lower. The minimum bond amount shall be $50,000. The fidelity bond protects the fiscal intermediary from loss caused by dishonest employees. It must be maintained for as long as the intermediary does business in the State.

The requirement for a $10 million fidelity bond is repealed.

It requires a fiscal intermediary to secure and maintain a surety bond on file with the DOI, naming the intermediary as principal. The bond must be with a company authorized to do business in the State, and the DOI shall be obligee on behalf of third parties. The bond shall not be less than 5 percent of the funds handled in the prior year,

or $ 250,000, which ever is lower. The minimum surety bond amount shall be $10,000. A condition of the bond is that the intermediary register with the DOI, and not misappropriate funds as a fiscal intermediary or fiduciary. The surety bond shall be continuous in form, and renewed annually by a continuation certificate.

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?

It clarifies and makes necessary changes to an existing law.

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

N/A

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

N/A

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?

   N/A

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

   N/A

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

   N/A

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

   N/A

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

   N/A

3. Personal Responsibility:

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

   N/A

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

   Fiscal intermediaries will pay the full cost of both fidelity and surety bonds required.

4. Individual Freedom:

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

   N/A

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

   N/A

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:

S. 641.316, F.S.

E. SECTION-BY-SECTION RESEARCH:

Section 1. Amends s. 641.316, F.S., to require a fiscal intermediary to secure and maintain a fidelity bond equal to 10 percent of the funds handled in the prior year, or $1 million, which ever is lower. The minimum bond amount shall be $50,000. The fidelity bond protects the fiscal intermediary from loss caused by dishonest employees. It must be maintained for as long as the intermediary does business in the State.

The requirement for a $10 million fidelity bond is repealed.

It requires a fiscal intermediary to secure and maintain a surety bond on file with the DOI, naming the intermediary as principal. The bond must be with a company authorized to do business in the State, and the DOI shall be obligee on behalf of third parties. The bond shall not be less than 5 percent of the funds handled in the prior year, or $ 250,000, which ever is lower. The minimum surety bond amount shall be $10,000. A condition of the bond is that the intermediary register with the DOI, and not misappropriate funds as a fiscal intermediary or fiduciary. The surety bond shall be continuous in form, and renewed annually by a continuation certificate.

Section 2. Provides an effective date of July 1, of the year in which 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:

   There is no direct private sector costs. Any bonding costs would be borne by the fiscal intermediaries.

2. Direct Private Sector Benefits:

   There would be no direct private sector benefits. However, this would provide protection for the health care providers who use fiscal intermediaries.

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 in the aggregate.

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:

The proposed language has been worked out with the managed care and insurance industry and should correct the problem.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON HEALTH CARE STANDARDS AND REGULATORY REFORM:

Prepared by:	Legislative Research Director:
Robert W. Coggins	Robert W. Coggins