

STORAGE NAME: h0673.hcl

DATE: February 17, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
HEALTH CARE LICENSING & REGULATION
ANALYSIS**

BILL #: HB 673

RELATING TO: Health Insurance/Clinical Laboratory Services

SPONSOR(S): Representative Posey

TIED BILL(S):

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

- (1) HEALTH CARE LICENSING & REGULATION
 - (2) INSURANCE
 - (3) GENERAL GOVERNMENT APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

This bill requires preferred provider, exclusive provider, and health maintenance organization insurers to pay for services at any clinical laboratory without penalty. The bill allows preferred providers, exclusive providers, and treating physicians to send a specimen to the clinical laboratory of their choice.

The bill has no fiscal impact on state or local governments. It may lead to increased basic health insurance premiums to cover the cost of services not paid for under a capitated arrangement between an insurer and a non-capitated laboratory.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Under current law, laboratory services are contracted for by preferred provider organizations, exclusive provider organizations, and health maintenance organizations at a contracted rate for the services provided. Providers who participate with these types of organizations are required to submit all pathology samples to a clinical laboratory which is under contract with their respective organization. In Florida, there are three major providers of clinical laboratory services: SmithKline Beecham Clinical Laboratories; Laboratory Corporation of America; and Quest Diagnostics Laboratories. SmithKline Beecham was recently acquired by Quest Diagnostics. These laboratories handle the vast majority of clinical laboratory services provided to preferred provider, exclusive provider, and health maintenance organizations (HMOs) in the state.

Recently, the Florida Society of Dermatologists brought to the Legislature concerns about the quality of pathology reports being obtained through their HMOs. The dermatologists would prefer selecting the clinical laboratory that does the analysis of patient tissue samples.

C. EFFECT OF PROPOSED CHANGES:

The bill requires preferred provider, exclusive provider, and health maintenance organizations to cover and pay for clinical laboratory services at any clinical laboratory to which a provider sends a specimen.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 627.6471, F.S., to require any preferred provider organization which offers coverage for clinical laboratory services to pay for the services of any clinical laboratory to which a preferred provider refers a specimen.

Section 2. Amends s. 627.6472, F.S., to require any exclusive provider organization which offers coverage for clinical laboratory services to pay for the services of any clinical laboratory to which an exclusive provider refers a specimen.

Section 3. Amends s. 641.31, F.S., to require any health maintenance organization which offers coverage for clinical laboratory services to pay for the services of any clinical laboratory to which a treating physician refers a specimen.

Section 4. Provides an effective date of July 1, 2000.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill may increase basic health insurance premiums to cover the cost of services not paid for under a capitated arrangement between the insurer and the non-capitated laboratory.

D. FISCAL COMMENTS:

The bill has no fiscal impact on state government.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require counties or municipalities to expend funds or take 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 revenue in the aggregate.

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

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

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

The Florida Society of Dermatologists express concern regarding the accuracy of the analysis of samples being submitted and the turnaround time on these tissue samples. According to a survey conducted by staff of the Health Care Licensing & Regulation Committee, 69% of the dermatologists responding reported receiving incorrect diagnoses and 58% reported lost tissue samples. However, only 2% of the dermatologists filed a complaint with the proper licensing/regulatory authority -- the Agency for Health Care Administration. The society believes that managed care is currently selecting the approved clinical laboratories based on the lowest price, rather than the quality and timeliness of their work.

The HMOs are of the opinion that if a clinical laboratory meets the state licensing requirements as provided in ss. 483.011 - 483.026, F.S., it is assumed that they perform acceptable work. Also, HMOs maintain that price is an important factor for their consideration because of the need to contain or reduce overall costs. The HMOs also contend that if quality of care is the motivation for providers being able to choose which lab to send a sample, present law already addresses this issue. Section 641.51, F.S., entitles any member of an HMO to a second opinion if the member "disputes the organization's or the physician's opinion of the reasonableness or necessity of surgical procedures or is subject to a serious injury or illness."

Dermatologists point out that often times HMOs only have contracts for clinical lab services with one laboratory, so the second opinion comes from the same lab that provided the original, disputed diagnosis. Current law does provide that a member of an HMO can obtain a second opinion from any source, on the condition that if the HMO does not have a contract with the entity providing the second opinion, the member may be responsible for up to 40% of the cost of the second opinion.

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VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON HEALTH CARE LICENSING & REGULATION:

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