

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 934 (First Edition)

SHORT TITLE: Preferred Provider Amendments

SPONSOR(S): Senator Perdue

| FISCAL IMPACT | | | | | |
|---|--------------------------|--------------------------|----------------------------------|--------------------------|--------------------------|
| | Yes (X) | No () | No Estimate Available () | | |
| | <u>FY 1997-98</u> | <u>FY 1998-99</u> | <u>FY 1999-00</u> | <u>FY 2000-01</u> | <u>FY 2001-02</u> |
| REVENUES | | 0 | 0 | 0 | 0 |
| EXPENDITURES | \$49,322 | \$49,322 | \$49,322 | \$49,322 | \$49,322 |
| POSITIONS: | 1 | 1 | 1 | 1 | 1 |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Insurance | | | | | |
| EFFECTIVE DATE: October 1, 1997 | | | | | |

BILL SUMMARY: Repeals GS 58-50-50 and 58-50-55, which currently govern preferred provider plans, and replaces them with new GS 58-50-56. Administrative rules that were adopted by the Comm'r of Insurance under the repealed provisions and that became effective before Oct. 1, 1997, are not affected. Prescribes procedure by which health care providers may submit proposals to an insurer to participate in a preferred provider plan. Prohibits any provision that restricts a health care provider's right to enter into other preferred provider contracts. Requires a preferred provider organization (PPO) to provide all providers under contract with specified information about the insurers with whom the PPO does business and the insurers' benefit plans. Comm'r may adopt rules to provide for accessibility and availability of services, adequacy of providers, and financial solvency of preferred provider plans. Requires insurers to make annual report to Comm'r. Requires preferred provider benefit plans to pay for services by nonparticipating providers; allows plan to reduce payments for such services by no more than 20% of the payment that a participating provider would receive. Also amends GS 58-63-70 to make it an unfair trade practice for any insurer to make an intentional misrepresentation to a

provider that the insurer is entitled to a preferred provider or other discount when the insurer is not so entitled.¹

ASSUMPTIONS AND METHODOLOGY: Insurance Department states that increased responsibilities will require hiring one additional person, at an annualized cost of \$49,322. Assumes that this person will continue to be needed in future years.

TECHNICAL CONSIDERATIONS: One additional employee can discharge all additional responsibilities required by Senate Bills 932, 933, 934, and 935. Therefore, if either Senate Bill 932 or Senate Bill 933 is enacted into law, the net cost of this bill becomes zero.

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: William L. Spencer

APPROVED BY: Tom L. Covington **TomC**

DATE: April 22, 1997



Signed Copy Located in the NCGA Principal Clerk's Offices

¹ Legislative Reporting Service, Institute of Government: "Daily Bulletin," Vol. 1997, No. 46, p. 10.