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SFA BILL ANALYSIS

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Senate Bills 629 and 630 (as introduced 9-19-01)
Sponsor: Senator Bill Bullard, Jr.
Committee: Health Policy

Date Completed: 11-12-02

CONTENT

Senate Bill 629 would amend the Nonprofit Health Care Corporation Reform Act (which governs Blue Cross and Blue Shield of Michigan (BCBSM)), and Senate Bill 630 would amend the Insurance Code, to require BCBSM, a health maintenance organization (HMO), and a health insurer that provided benefits for medical transportation services, to provide for direct reimbursement to any provider of covered medical transportation services if that provider had not received payment for those services from any other source. The bills' requirement for direct reimbursement would not apply to a transaction between BCBSM, or an insurer or HMO, and a medical transportation service provider if the parties had entered into a contract that provided for direct payment.

The bills' requirement for direct reimbursement would be met if a covered or insured individual filed a claim for a medical transportation service with BCBSM, the insurer, or the HMO, that entity paid the provider directly, and the provider did not demand payment from the individual until the provider received payment from BCBSM, the insurer, or the HMO, after which the provider could demand payment from the individual for any unpaid portion of the provider's fee.

The bills would take effect January 1, 2002.

Proposed MCL 550.1418a (S.B. 629)
Proposed MCL 500.3406l (S.B. 630)

Legislative Analyst: George Towne

FISCAL IMPACT

The bills would have an indeterminate fiscal impact on State and local government. Providers of ambulance services complain that they often end up writing off unpaid claims as bad debt, even though the individual who used the ambulance had insurance coverage for that service. The problem, they suggest, is that in many cases the insurer pays the insured for the claim and the ambulance provider is left with having to try to collect from the insured individual. The providers suggest that if they were paid directly by the insurer (or as has been suggested in the past, if the insurer paid the insured directly with the check made out to both the insured and the ambulance provider), it would be easier to collect the copayment or uncovered portion of the claim from the individual insured, thereby reducing both the amount of bad debt and the subsequent need of the ambulance provider to raise prices to make up for that bad debt. Under these bills, if an insurer provided coverage for ambulance services, then the insurer would be required to pay an ambulance provider directly if one of its insured incurred a claim for that service. The bills do not appear to mandate that an insurer provide coverage for ambulance services, or set the amount of payment for these services.

The provider community claims that bad debt is equivalent to 10% of its revenue. While the Senate Fiscal Agency (SFA) cannot independently verify that, there is no evidence to the contrary. Although not all of the bad debt results from the claims of people with coverage, the SFA did test the cost savings hypothesis using that parameter.

Using a simple recursive model that generated successive changes in the average cost of services, where the only cost driver was the need to cover the bad debt, the SFA found that the average charge over three years would have to increase by 21% and all of the bad debt would still not be covered. As noted above, this result is based on an assumed level of bad debt of 10% and is compared with a pricing structure that holds all other factors constant. However, even if the related bad debt were only 5% of revenue, the increased cost over the same period still would be 10%. It is impossible to give a "dollar" savings if the bills were enacted, though they almost certainly would generate a "system wide" savings.

Fiscal Analyst: John Walker

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