



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2052

PRINTERS NO. 2864

PRIME SPONSOR: Vulakovich

COST / (SAVINGS)

| FUND | FY 2011/12 | FY 2012/13 |
|--------------|------------|------------|
| General Fund | \$0 | \$0 |

SUMMARY: House Bill 2052 amends Act 94 of 1975 concerning contracts between a Hospital Plan Corporation (“Blue Cross”) and a hospital.

ANALYSIS: This legislation amends Act 94 of 1975 to:

- (1) Make Act 94 applicable to expiration of contracts as well as terminations.
- (2) Make Act 94 applicable to contracts for hospital-owned physician practices, as well as contracts for hospitalization.
- (3) Impose a penalty for failure to provide notice to the other parties to the contract and to the Pennsylvania Insurance Department (“PID”) when the party seeks to terminate the contract or refuses to renew the contract.
- (4) If after the investigative hearing under Act 94 the PID recommends the contract be continued, requires the parties to negotiate for 30 days.
- (5) If no agreement is reached after the negotiations, requires the Insurance Commissioner (“Commissioner”) to order the parties to participate in mediation sponsored by the Insurance Department.
- (6) If an agreement is not reached after the mediation, requires the parties to notify the Secretary of Health (Secretary) and the PID.
- (7) If the Secretary determines that termination of the contract or permitting the contract to expire would substantially disrupt the delivery of health care service in the area served by the insurer and the continuation of the contract is in the public interest, requires the Secretary to request the Commissioner to implement binding arbitration.
- (8) Require the Commissioner to order the parties to submit to binding arbitration sponsored by the PID if the Secretary requested binding arbitration. Requires the Commissioner to

appoint the mediator as the finder of fact who shall preside at a hearing and issue a report to the Commissioner.

(9) Upon receiving the report of the finder of fact, require the Commissioner to issue an order imposing contract terms on the parties for a period not to exceed 18 months.

FISCAL IMPACT: It is anticipated that enactment of this legislation will have no adverse impact on Commonwealth funds. In the event that a contract between a Hospital Plan Corporation and a hospital will expire or be terminated, the PID must conduct an investigation and hold a hearing or hearings in conjunction with the Department of Health (DOH). If, after completion of the investigation and hearings, the PID determines the contract should be continued, it can order the parties into mediation. If the parties cannot reach agreement after mediation, they must notify the PID and the DOH. If the Secretary of Health determines that termination or expiration of the contracts would substantially disrupt the delivery of health care services in the Blue Cross Plan's service area and continuation is in the best interest of the public, the Secretary shall notify the Insurance Commissioner and request the PID to implement binding arbitration. The bill allows the costs of this mediation and arbitration process to be billed to the parties involved. Reliable data do not exist to determine how often this process will need to be implemented and overseen by the PID. The Department does not believe it will happen frequently enough to increase base costs. However, if it becomes a more common occurrence, it could increase the PID's workload and expenses over the long term.

PREPARED BY: Jeff Miller
House Appropriations Committee (R)

DATE: December 15, 2011

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.