LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT

LS 7691
BILL NUMBER: HB 1003

NOTE PREPARED: Feb 18, 2025
BILL AMENDED: Feb 17, 2025

SUBJECT: Health Matters.

FIRST AUTHOR: Rep. Barrett
FIRST SPONSOR: Sen. Charbonneau

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: *Medicaid Fraud Control Unit*: The bill specifies that the Medicaid Fraud Control Unit's (MFCU) investigation of Medicaid fraud may include the investigation of provider fraud, insurer fraud, duplicate billing, and other instances of fraud. It permits the Attorney General to enter into a data sharing agreement with specified state agencies and authorizes the MFCU to analyze this data to carry out its investigative duties. It also provides that the Attorney General may designate investigators employed within the MFCU to be law enforcement officers of the state. The bill provides that all complaints made to the state MFCU are confidential until an action is filed concerning the complaint.

Outpatient Reimbursement: The bill requires a state employee health plan (SEHP), the Office of the Secretary of Family and Social Services (FSSA), an insurer, and a health maintenance organization to provide reimbursement for a health care service that is provided in an outpatient setting at the same reimbursement rate that is provided at a physician's office.

Office of the Secretary of Family and Social Services (FSSA): The bill requires the FSSA to establish: (1) metrics to assess the quality of care and patient outcomes; and (2) transparency and accountability safeguards; for a long-term care risk based managed care program.

Indiana Department of Health (IDOH): It allows the Indiana Department of Health (IDOH) to enter into partnerships and joint ventures to encourage best practices in the appropriate and effective use of prior authorization in health care. It also requires the IDOH, in consultation with the Office of Technology, to: (1) develop certain standards regarding medical records and data; and (2) mandate compliance with the standards by any medical provider that contracts with the state.

Pricing Information: The bill requires, not later than December 31, 2025, a clinical laboratory and diagnostic imaging facility to post pricing information.

Place of Service Codes: It requires providers to submit a claim for health care services with the appropriate place of service code for the setting.

Investigational Treatment: The bill allows: (1) a manufacturer to provide; and (2) a patient to receive; individualized investigational treatment if certain conditions are met.

340B Programs: It prohibits a 340B covered entity from charging an individual for a prescription drug under the program at a greater price than the prescription drug was obtained for under the program. It also allows the IDOH to enforce the 340B drug requirements and assess a civil penalty.

Health Care Billing: It provides exemptions from provisions regarding health care billing. The bill sets forth requirements regarding the submission of a bill for health care services.

Nonprofit Hospital Systems: The bill requires an Indiana nonprofit hospital system to report a list of facilities that may submit a bill on an institutional provider form.

Nonemergency Health Care Services: It prohibits an out-of-network practitioner providing nonemergency health care services at an in network facility from being reimbursed more for the health care services than the 2019 median in network rate with the specified adjustment.

Patient Discharge: The bill requires a provider to provide the patient with a written list of services that the: (1) patient received; and (2) provider intends to bill the patient; upon a patient's discharge from receiving certain services.

Good Faith Estimates: It requires good faith estimates for health care services, issued before July 1, 2026, to be provided at least two business days (rather than five business days) before the health care services are scheduled to be provided. It also requires good faith estimates, issued after June 30, 2026, to be provided immediately.

Trade Secrets: It removes language concerning the disclosure of a trade secret from provisions that allow for a health plan sponsor to access and audit claims data.

Health Provider Contracts: It provides that when a health carrier is in the process of negotiating a health provider contract with a health provider facility or provider, the health carrier must provide certain information to the health provider facility or provider. It specifies certain provisions that may not be included in a health provider contract.

Prior Authorization: The bill prohibits a health plan from rescinding a prior authorization that the health plan has previously approved within one year after the prior authorization is approved. It also provides that a health plan shall ensure that any adverse determination on a request for prior authorization is made by a clinical peer of the provider who requested the prior authorization. It allows the Department of Insurance (DOI) to receive information regarding prior authorization disputes and requires the DOI to prepare a report with findings and recommendations related to the information.

Cost Comparison: It requires, not later than September 1, 2025, the DOI to issue a request for information concerning ways to better enable medical consumers to compare and shop for medical and health care services.

All Payer Claims Data Base Advisory Board: The bill adds the Secretary of Health and Human Services as a nonvoting advisory member of the All Payer Claims Data Base Advisory Board.

Denied Claims: Provides that an insurer or a health maintenance organization may not deny a claim for reimbursement on the basis that the referring provider is an out of network direct primary care provider or independent physician.

Relocation to Indiana: The bill requires, if a fully credentialed physician becomes employed with another employer or establishes or relocates a medical practice in Indiana, an insurer and health maintenance organization to provisionally credential the physician for 60 days or until the physician is fully credentialed, whichever is earlier.

Effective Date: Upon passage; July 1, 2025.

Explanation of State Expenditures: *Summary* - The bill may require additional staff for the Indiana Department of Health (IDOH) and temporary staffing changes at the Attorney General's Office. The bill have indeterminate impact on the state Medicaid program and the state employees health plan (SEHP). The Department of Insurance will have increased workload.

Additional Information -

Interoperability of Medical Data: The bill impacts workload at the Indiana Department of Health (IDOH). If the IDOH would need to hire one additional dedicated staff to meet the requirements of this bill, total salary and fringe benefits may be estimated at $125,000 for FY 2026, and $129,000 for FY 2027. The bill is silent on the timing to implement these requirements. The estimated annual salary and fringe benefits are based on the average salaries for the current non-supervisorial positions with the IDOH Office of Data and Analytics.

Indiana Department of Health (IDOH): Other provisions of the bill will increase the workload of the IDOH with additional requirements or limitations on entities regulated by the IDOH and an increase in the number of nonprofit hospitals systems with the repeal of the monetary qualification. The actual resources needed will depend on the existing staff available to perform this additional oversight and the volume of enforcement required. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions. *[IDOH administration is funded by the Tobacco Master Settlement Fund, a dedicated fund*.]

Medicaid Fraud Control Unit: The bill will have a minimal workload impact on the Office of the Attorney General (AG) to initiate the data sharing agreement and ensure that investigators complete Tier 1 basic law enforcement training. It also provides that the Medicaid Fraud Control Unit (MFCU) may analyze and review data received under the data sharing agreement. Also, the MFCU may need to temporarily adjust the workload for investigators until training is completed. The MFCU has 13 attorneys, 33 investigators, 5 auditors/ analyst, and 3 support staff. The AG should be able to accomplish the training requirements and accommodate the short-term staffing changes with existing resources.

Office of the Secretary of Family and Social Services (FSSA): The bill's requirements will minimally increase the workload of the Office of the Secretary of Family and Social Services (FSSA) to establish metrics and transparency and accountability safeguards for managed care programs serving the aged (60-years-old or older), blind, and disabled populations. Some of these requirements are already established in the contracts between the Medicaid managed care entities and FSSA, and providing for compliance and pay for outcomes. For some Medicaid administrative costs, the state and federal government shares costs equally.

If the temporary credentialing leads to more services provided to Medicaid beneficiaries, more claims may be paid. Medicaid Expenses are shared between the state and federal government, and the state share of most claims is 35%, 10% for the HIP expansion population, and 25% for the CHIP children.

Medicaid and State Employees Health Plan (SEHP): The bill changes provider billing for out-of-network, which will have indeterminate impact on the cost of claims for Medicaid and the SEHP. The bill sets Medicaid and SEHP reimbursement for outpatient services performed at a hospital to equal the reimbursement rate paid for equivalent services performed at a physician's office. This will have an indeterminate impact on state medical expenditures dependent upon the change in reimbursement rates paid to hospitals and the utilization of services paid at the modified rates.

Indiana Department of Insurance (DOI): The Indiana Department of Insurance (DOI) will have additional workload to ensure compliance with the bill's requirements, to receive information on prior authorization disputes and issue a report, and to issue a request for information concerning consumer mobile access of claims data. The Secretary of Health and Human Services may be entitled to reimbursement of traveling expenses to the All Payers Claims Data Base Advisory Board meetings. These requirements should be able to be implemented using existing staffing and resources. [*The DOI is funded through a dedicated agency fund.*]

No Cost Medical Records Fee: The bill may decrease fee revenue from providing medical record copies at state mental health institutions (the state hospitals and the Neuro Diagnostic Institute). Since the fee revenue offsets state expenditures, any fiscal impact is expected to be minimal.

Explanation of State Revenues: *Medicaid Fraud Control Unit*: The MFCU investigates cases involving Medicaid providers committing fraud. The MFCU also investigates cases of physical and/or financial abuse of adults in nursing homes and other long-term care facilities. The bill provides that an investigator designated as a law enforcement officer has all the powers and duties of a law enforcement officer in conducting investigations, or in serving any process, notice, or order connected with the AG Enforcement Department. As a result, this could potentially increase the number of investigations conducted and recoveries collected for the MFCU. The state is entitled to a portion of errant benefit claims recovered.

340B Drug Program and Nonprofit Hospital Systems: The bill authorizes the IDOH to enforce the bill's requirements on pharmacy dispensing of drugs purchased through the federal 340B Drug Program with a civil penalty not to exceed $1,000 per violation. The bill also allows the IDOH to assess a civil penalty against a nonprofit hospital system that violates provisions concerning health care billing.

Denied Claims: If the provisions of this bill result in an increase in the number of times an insurer fails to pay a clean claim, the DOI may assess against the insurer a civil penalty between $10,000 and $200,000 depending on the circumstances of the insurer. Any additional civil penalties collected as a result of this bill will be deposited into the state General Fund. Additionally, the DOI may issue a cease and desist order, or seek injunctive or other appropriate relief, from a health maintenance organization that violates the provisions of this bill.

Estimates and Billing: Any increase or decrease in revenue from fines or civil penalties as a result of the bill would likely be minimal. If the bill affects the number of consumer complaints against health care practitioners and facilities regarding health care cost estimates, charges, or billing, there could be an indeterminable impact to General Fund and DOI Fund revenue from fines and civil penalties. Under IC 25-1-9.8 and IC 27-1-46, health care practitioners and facilities are subject to the following financial

penalties for failure to provide good faith cost estimates or provide public notice of the ability to request a cost estimate as required by the law:

- for health care practitioners, a fine of up to $1,000 for each violation after the initial violation, to be deposited in the General Fund;
- for provider facilities, a civil penalty of up to $1,000 per violation, to be deposited in the DOI Fund.

Additional Information - *Medicaid Fraud Control Unit*: In FFY 2022, the AG had a total of 43 Medicaid fraud convictions out of 948 investigations. The MFCU recovered over $19.5 M. The federal share of the recoveries was $12.9 M and the state share was $6.6 M. Combined state and federal expenditures for the MFCU was $7.2 M. In FFY 2023, the MFCU recovered over $64.2 M.

Explanation of Local Expenditures: *No Cost Medical Records Fee:* The bill may impact fee revenue from copies and retrieval at locally owned hospitals and local health departments.

Explanation of Local Revenues: *Medicaid:* The bill will have an indeterminate impact on revenue to locally owned hospitals for services provided to Medicaid members.

Interoperability of Medical Data: Local health units and other medical entities under contract with the state may have costs related to meeting the standards developed by IDOH for medical records and data security.

Estimates and Billing: County-owned health care facilities could experience additional workload or administrative costs to ensure compliance with the amended requirements for good faith cost estimates made by the bill. Changes in outpatient bill could impact revenue to these facilities as well.

State Agencies Affected: Office of the Attorney General; Indiana Department of Health; Office of the Secretary of Family and Social Services; Department of Insurance; State Personnel Department; state health facilites.

Local Agencies Affected: Locally owned hospitals and health facilities; trial courts.

Information Sources: IC 4-6-10; Indiana General Assembly, Interim Study Committee on Medicaid Oversight Committee, Attorney General Medicaid Fraud Presentation (November 15, 2023) https://iga.in.gov/2023/committees/interim/medicaid-oversight-committee; US Department of Health & Human Services, Office of Inspector General, Medicaid Fraud Control Units, https://oig.hhs.gov/fraud/medicaid-fraud-control-units-mfcu/; https://www.in.gov/pathways/files/RFP-23-72118-Att-O-Exhibit-2-Compliance-and-P4O.pdf.

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