

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 195 – HB 338

February 13, 2017

SUMMARY OF BILL: Adds healthcare services provided to a patient at a public elementary or secondary school to the current definition of telehealth services for which health insurance entities are required to reimburse in a manner consistent with reimbursement for in-person encounters.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$465,400

Increase Federal Expenditures - \$875,800

Increase Local Expenditures - \$1,269,000/Permissive

Assumptions:

- Based on information provided by the Department of Education, there are approximately 1,811 public elementary or secondary schools in the state; 120 of those have health clinics and currently participate in telehealth services.
- The proposed legislation gives the 1,691 additional schools the option of participating in telehealth services.
- If a school elects to provide telehealth services, the school is responsible for any required equipment with an estimated cost of at least \$3,000 per school per year.
- Assuming a quarter of the schools, or 423 (1,691 x 0.25), not currently offering telehealth services elect to participate in telehealth, the permissive and recurring increase in local expenditures is estimated to be \$1,269,000 (423 schools x \$3,000 telehealth equipment).
- Based on information provided by the Department of Finance and Administration Division of Benefits Administration, from calendar year 2015 to now, carriers have adjudicated 92 claims, of which 59 were claims in 2015 at a total cost of \$3,698 and 33 were claims in 2016 at a total cost of \$1,697. The average number of claims is 46 [(59 claims in 2015 + 33 claims in 2016) / 2]. The average total cost of claims is \$2,698 [(\$3,698 total cost of claims in 2015 + \$1,697 total cost of claims in 2016) / 2]. The average cost per claim is \$58.64 (\$2,698 average total cost / 46 claims).
- The current two-year average claim per clinic is 0.38 (46 claims / 120 schools).
- The recurring increase in the number of claims as a result of 423 additional schools electing to participate in telehealth services is estimated to be 161 (423 additional

schools x 0.38 claims per school). The total recurring increase in expenditures is estimated to be \$9,441 (161 claims x \$58.64 per claim). It is estimated that 65 percent of claims will be from the state plan, resulting in a state cost of \$6,137, and 35 percent of claims will be from the local education plan, resulting in a local cost of \$3,304.

- According to Benefits Administration, the state contributes 80 percent of member premiums resulting in a recurring increase in state expenditures of \$4,910 ($\$6,137 \times 0.80$).
- According to Benefits Administration, the state contributes 45 percent of instructional staff premiums (75 percent of Local Education Plan members) and 30 percent of support staff members premiums (25 percent of Local Education Plan members) resulting in a recurring increase in state expenditures of \$1,363 [$(\$3,304 \times 0.75 \times 0.45) + (\$3,304 \times 0.25 \times 0.30)$].
- The total recurring increase in state expenditures through Benefits Administration is estimated to be \$6,273 ($\$4,910 + \$1,363$).
- Based on information provided by the Bureau of TennCare, the Bureau anticipates an increase in utilization of telehealth encounters.
- The Bureau reports that expenditures for school delivered services to recipients aged three to eighteen years of age were approximately \$26,700,000 in FY15-16. This number only includes expenditures for services that could be provided through telehealth.
- Assuming a five percent increase in telehealth claims, it is estimated there will be a total recurring increase in expenditures of \$1,335,000 ($\$26,700,000 \times 0.05$).
- Medicare expenditures matching funds at a rate of 65.605 percent federal funds and 34.395 percent state funds.
- The recurring increase in state expenditures is estimated to be \$459,173 ($\$1,335,000 \times 0.34395$); the recurring increase in federal expenditures is estimated to be \$875,827 ($\$1,335,000 \times 0.65605$).
- The total recurring increase in state expenditures as a result of the bill is estimated to be \$465,446 ($\$6,273 + \$459,173$).
- The state does not contribute to the Local Government Plan; any increase in premiums will be entirely absorbed by the participating agencies and their members.
- Based on claims data for the Local Government Plan, there was one claim for telehealth services that cost \$38.72. As a result, any increase in local expenditures is estimated to be not significant.
- Based on information provided by the Department of Commerce and Insurance, any investigation of complaints can be accommodated within existing resources without an increased appropriation or reduced reversion.

IMPACT TO COMMERCE:

Increase Business Revenue – \$2,610,200

Increase Business Expenditures – Less than \$2,610,200


Jobs Impact – Not Significant

Assumptions:

- Health care providers that provide telehealth services will incur a recurring increase in revenue to cover the recurring costs of the increased coverage provided by insurance companies as a result of the proposed legislation.
- Insurance companies will realize an increase in premium revenue to cover the increased coverage.
- Medical supply providers will incur a recurring increase in business revenue estimated to cover expenses of providing equipment and maintenance for telehealth services.
- For companies to retain solvency, any increased expenditures will be less than the amount of revenue collected.
- Given that the new business generated by passage of the bill is expected to occur across multiple health care providers, the number of jobs created by any one entity is estimated to be not significant. As a result, any total impact to jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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