

JLBC Fiscal Note

BILL # SB 1629

TITLE: behavioral health; contracts; network adequacy

SPONSOR: Angius

PREPARED BY: Chandler Coiner

STATUS: Senate Engrossed

Description

The bill would require that before terminating a contract with a high-volume service provider without cause, an Arizona Health Care Cost Containment System (AHCCCS) health plan must submit a written notice to AHCCCS at least 90 days before the effective date of the termination. The health plan would be prohibited from terminating the contract with the provider until the health plan demonstrates, and AHCCCS agrees, that network adequacy standards would continue to be met despite the termination.

Estimated Impact

We estimate that the bill may impact provider reimbursement or service utilization relative to current law to the extent that it affects the ability of AHCCCS health plans to manage their provider networks. The magnitude of the bill's impact will ultimately depend on the actions of AHCCCS and the health plans, which cannot be determined in advance.

There may also be administrative costs associated with this bill. We have asked AHCCCS for its estimate of the bill's fiscal impact, but we have not yet received a response.

Analysis

Under current AHCCCS policy, if a health plan intends to make a "material" change to its provider network, it must request that AHCCCS approve the change. AHCCCS defines a material change as one that can "reasonably be foreseen" to affect the health plan's ability to meet network adequacy standards, which are governed by state and federal law. One example of a material change that AHCCCS describes in its contractor policy manual is any change involving a provider who is either the sole provider of an area or who operates in an area with limited service alternatives.

For any material change, the health plan is required to conduct an impact assessment. For example, this assessment must address how the change might affect:

- Membership.
- Travel time and distance (for services delivered outside the member's home).
- Sufficiency of providers in the impacted service area (for services delivered inside the member's home).

This bill would specify that any termination of a high-volume service provider, as defined by the bill, would require AHCCCS approval. Additionally, the bill prescribes a different set of criteria for the health plan's impact assessment (which AHCCCS would be required to send to the Legislature and publish on its website if it approves the termination), including:

- Provider-to-enrollee ratios.
- Appointment wait times.
- Patient volume and geographic distribution of the affected services.

Due to several differences between AHCCCS' current policy and the bill's requirements, we estimate that the bill could potentially affect the health plans' ability to adjust their provider networks. In a managed care model, provider network management is one of the primary ways the health plans negotiate reimbursement rates and manage costs. As a result, we estimate the bill could impact provider reimbursement or service utilization, but we cannot determine in the impact in advance.