

Research Plan: Senate Bill 2330, House Bill 2456, Reference-Based Pricing

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Support:

Deputy Executive Director Approval: Initial: Date:

Executive Director Approval: Initial: Date:

Purpose

To study the overall effect on health insurance prices when reference-based pricing is used in a healthcare plan where the insurer sets a price it is willing to pay for a medical service, and if an insurance enrollee chooses to receive care from a provider that charges above that amount—known as the “reference price”—then the healthcare provider can bill the enrollee for the difference.

Background

In the US, the overall cost of healthcare is rising. Spending on healthcare is projected to grow at an average annual rate of 5.4% between 2019 and 2028 and is expected to rise from 17.7% of GDP in 2018 to 19.7% in 2028—almost one of every five dollars spent in the US. Because of increasing costs, paying for healthcare is becoming a challenge for many people, even those with insurance.

While costs are rising, the amounts that healthcare providers charge for services vary widely. For example, in 2014 the US Government Accountability Office found that the estimated total cost of laparoscopic gallbladder surgery ranged from \$3,281 to \$40,626 across providers for patients with the same commercial insurer in Denver, Colorado. This price variation creates an opportunity for people to shop for lower-cost healthcare providers.

One way to encourage people to shop for lower-cost services is through reference-based price programs. These programs place an upper limit on the amount an insurer will pay for a medical service, and if an insurance enrollee chooses to receive care from a

provider that charges above that amount—known as the “reference price”—then the healthcare provider can bill the enrollee for the difference. Consumers, employers and insurers could potentially save money if people use lower cost providers.

To explore the potential feasibility of using reference-based pricing as way to save money within the state healthcare plan, Senator Hensley filed Senate Bill 2330 and Representative Sparks filed its companion, House Bill 2456, in 2022. It directed the Commission to perform a study of the overall effect on health insurance prices when reference-based pricing is used. The original legislation required the Commission to report its findings to the General Assembly by January 1, 2023, but this deadline was extended to January 31, 2023 through amendments in the Senate and House committees. The amended bill passed in the Senate, but the House version was sent to summer study. Representative Williams said in committee that he would request that the Commission do a study of this issue.

Define the Problem

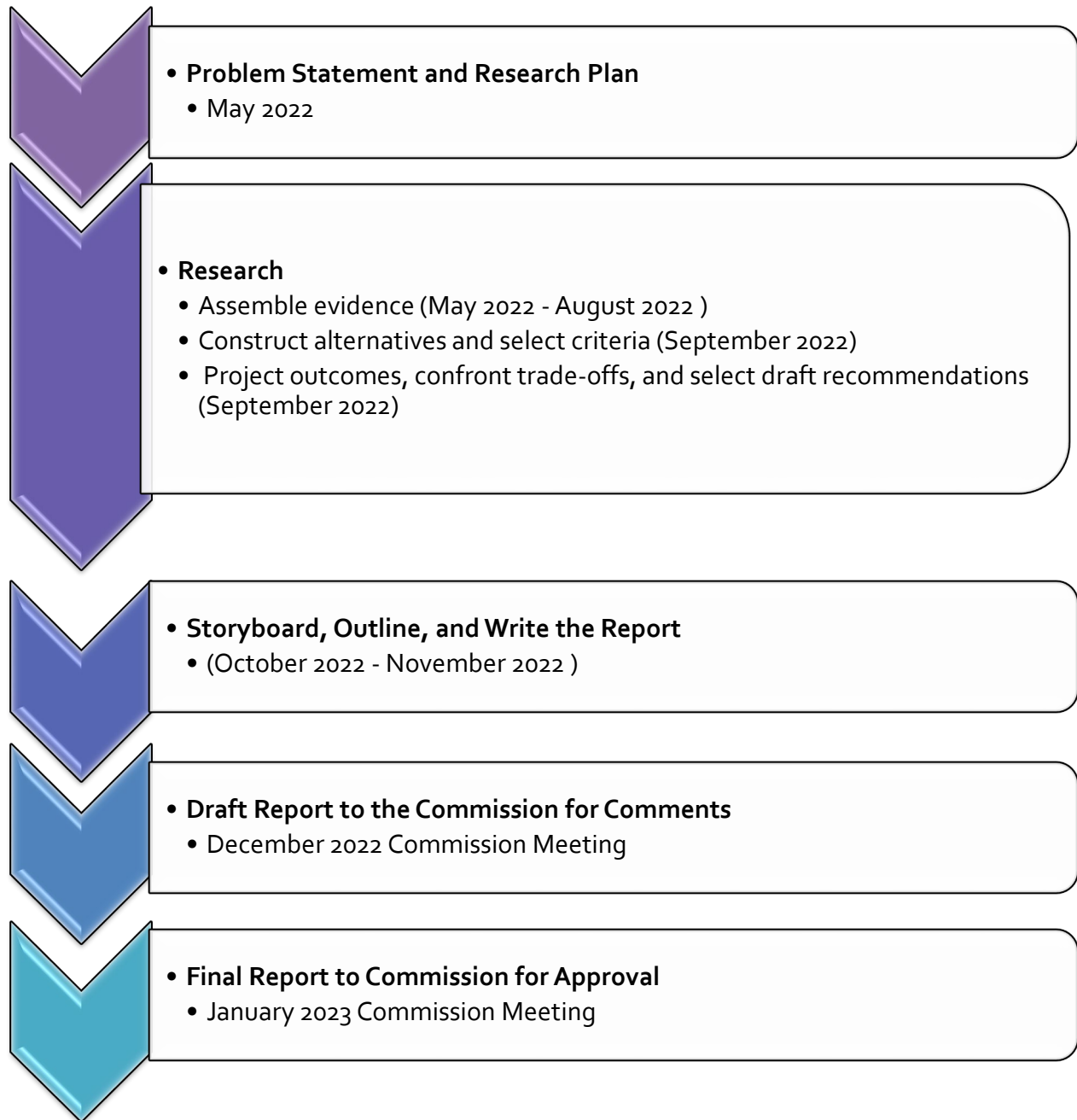
In the US, healthcare costs are rising and costs can vary considerably for the same procedure. Paying for healthcare is becoming a challenge for many people, even those who have health insurance.

Assemble Some Evidence

- Review referred legislation, Senate Bill 2330 and House Bill 2456, to determine what it directs the Commission to study.
 - Interview the sponsors of the legislation and any other members of the General Assembly who have an interest in the bill.
 - Review committee hearings on the bill and summarize comments and concerns of committee members, the bill sponsors, and others speaking for or against the bill.
 - Review similar bills from previous general assemblies, including relevant committee hearings.
 - Review fiscal notes. Consult with Fiscal Review Committee staff and follow up with agencies submitting support forms to determine estimated cost and the methods and rationale for the estimates.
- Interview stakeholders to determine what is driving the issue. These include but are not limited to representatives of

- the Tennessee Department of Commerce and Insurance,
 - the Tennessee State Insurance Committee,
 - the Tennessee Medical Association,
 - the Tennessee Hospital Association, and
 - health insurance providers.
- Review Tennessee's relevant statutes and regulations;
 - Review relevant federal statutes and regulations.
 - Review similar policies and laws in other states.
 - Review relevant literature and data sets from Tennessee and other states.

Proposed Research Timeline



SENATE BILL 2330

By Hensley

AN ACT to amend Tennessee Code Annotated, Title 8;
Title 56 and Title 71, relative to reference-based
health insurance pricing.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1.

(a) The Tennessee advisory commission on intergovernmental relations (TACIR) is directed to perform a study of the overall effect on health insurance prices when reference-based pricing is used. The study must be conducted from TACIR's existing resources.

(b) All appropriate state departments and agencies shall provide assistance to TACIR.

(c) On or before January 1, 2023, TACIR shall report its findings and recommendations, including any proposed legislation, to each member of the general assembly, and shall provide a copy of the report to the legislative librarian. The report may be delivered electronically.

SECTION 2. This act takes effect upon becoming a law, the public welfare requiring it.

Amendment No. 1 to SB2330

Bailey

Signature of Sponsor

AMEND Senate Bill No. 2330*

House Bill No. 2456

by deleting "January 1, 2023" in subsection (c) in SECTION 1 and substituting "January 31, 2023".