

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 64 (First Edition)

SHORT TITLE: Managed Care Ombudsman

SPONSOR(S): Senators Wellons, Harris and Dannelly

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
General Fund **	\$391,154	\$517,458	\$519,051	\$539,821	\$561,914
EXPENDITURES					
General Fund **					
(Recurring)	\$317,685	\$482,117	\$519,051	\$539,821	\$561,914
(Nonrecurring)	\$73,469	\$35,341	\$0	\$0	\$0
Total	\$391,154	\$517,458	\$519,051	\$539,821	\$561,914
<p>** The Department of Insurance receives General Fund appropriations for its operations. However, as required by statute, the Insurance Regulatory Fund reimburses the General Fund for allotted appropriations. Thus, thus the net impact on the General Fund is \$0.</p>					
POSITIONS:	4	5	5	5	5
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Insurance					
EFFECTIVE DATE: January 1, 2002					

BILL SUMMARY: (from LRC report on Managed Care Issues)

The bill creates the Office of the Managed Care Ombudsman in the Department of Insurance. The office will have the following duties and responsibilities:

- (1) Develop and distribute educational and informational materials for consumers explaining their rights and responsibilities as HMO enrollees.

- (2) Assist HMO enrollees in filing appeals and grievances pertaining to insurance matters, and to assist HMO enrollees in utilizing internal review procedures remedies on behalf of HMO enrollees.
- (3) Publicize the Office of the Managed Care Ombudsman.
- (4) Answer inquiries posed by HMO enrollees.
- (5) Compile data on the activities of the Office, and evaluate such data to make recommendations as to the needed activities of the Office.
- (6) Assist consumers with complaints not relating to appeals, referring those complaints that appear to be of a regulatory nature to regulatory staff within the Department of Insurance.

ASSUMPTIONS AND METHODOLOGY:

The bill requires the Commissioner of Insurance to appoint an Ombudsman and to hire other staff necessary and appropriate to carry out the duties and responsibilities noted in the summary above. The Department of Insurance believes that to effectively implement the bill, they will need to hire three Insurance Regulatory Analysts as well as one support position. In carrying out the duties, the Ombudsman, who must have experience in health care and advocacy, will primarily be involved in program work such as developing policies and procedures, developing educational materials, building working relationships with community programs and other organizations to promote outreach, participating in outreach events, and analyzing program activities as well as the nature of the consumer issues and industry performance that give rise to those issues. The analysts will primarily answer inquiries and assist consumers with filing appeals and grievances, assist in outreach/speaking events, and analyze activities and trends in consumers' issues. The analysts will not only have to be able to sort out the regulatory issues, they will also have to work with consumers regarding their clinical issues to be appealed to the health plan and assist them in preparing their appeals.

In addition to the personnel requirements, the Department believes that it will incur start-up expenses for telephone and office equipment (telephone system, copier, laser printer, and fax) as well as for the furniture, equipment, computers, and reference materials required to up fit the staff offices. On an on-going basis, it expects that the office will incur expenses (1) for office space for the 5 employees, (2) to maintain a consulting physician on contract, (3) for telephone service for operating a toll-free line to receive approximately 4,000 calls per month from consumers, (4) for postage, printing and supplies to develop, produce and disseminate a variety of consumer-oriented brochures, (5) for travel for staff to attend speaking engagement and meetings with business and community organizations throughout the state, and (6) for advertising and promotion of the office through campaigns such as radio ads, billboards, print ads, health fair sponsorships and community events. The Department estimates that its cost for telephone service and postage, printing and supplies will increase in the out years as a result of increased awareness of the program and the resulting increase in demand for information. The Department's estimate of the cost to establish and maintain the Ombudsman's Office is noted in the following table.

Department of Insurance Estimate of Cost for Managed Care Ombudsman's Office

	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
Recurring Cost			
Salaries	\$160,301	\$244,138	\$244,138
Benefits	\$48,090	\$73,241	\$73,241
Consulting Physician	\$50,000	\$70,000	\$70,000
Telephone Service	\$8,000	\$18,000	\$27,000
Postage, Printing, Supplies	\$20,000	\$50,000	\$60,000
Travel, Advertising/Promotion	\$20,000	\$50,000	\$50,000
Office Space	\$16,000	\$16,000	\$16,000
Total Recurring Cost	\$322,391	\$521,379	\$540,379
Nonrecurring Cost			
Office Furniture/Computer Equipment	\$26,459	\$5,341	
Office Equipment	\$27,010		
Telephone System	\$20,000		
Total Nonrecurring Cost	\$73,469	\$5,341	\$0
Total Recurring and NR Cost	\$395,860	\$526,720	\$540,379

The Fiscal Research Division believes the estimate is reasonable. However, the Department's estimate includes \$30,000 in year two and three for radio campaigns. We believe the radio campaign is an effective tool for increasing the awareness of Ombudsman's Office and managed care issues, but we do not believe that it is a necessary recurring expenditure. Thus, we have included it only as a nonrecurring item in the second year. The Department's estimate for benefits is 30% of the requested salary. We have adjusted the benefits based on actual rates for social security (7.65%), retirement (8.015%) and medical (\$2,256 annually/person). (Note: The salaries are substantially higher than the minimum salaries for the grades. Per the Department and confirmed by the Office of State Personnel, the requested salaries are based on special minimums as approved by OSP to reflect market rate data for the managed care industry. We did not adjust the salaries.) With these adjustments, FRD's estimate of the cost of establishing and maintaining an Ombudsman's Office is \$306,180 recurring and \$73,469 nonrecurring in the first year. The detail of the estimated is noted in the table below.

Fiscal Research Division Estimate of Cost for Managed Care Ombudsman's Office

	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
Recurring Cost			
Salaries	\$160,301	\$244,138	\$244,138
Benefits	\$31,879	\$47,268	\$47,268
Consulting Physician	\$50,000	\$70,000	\$70,000
Telephone Service	\$8,000	\$18,000	\$27,000
Postage, Printing, Supplies	\$20,000	\$50,000	\$60,000
Travel, Advertising/Promotion	\$20,000	\$20,000	\$20,000
Office Space	\$16,000	\$16,000	\$16,000
Total Recurring Cost	\$306,180	\$465,406	\$484,406
Nonrecurring Cost			
Office Furniture/Computer Equipment	\$26,459	\$5,341	
Office Equipment	\$27,010		
Telephone System	\$20,000		
Advertising - Radio Campaign		\$30,000	
Total Nonrecurring Cost	\$73,469	\$35,341	\$0
Total Recurring and NR Cost	\$379,649	\$500,747	\$484,406

Please note that these amounts are based on current dollars. The table on page one shows these amounts as adjusted for inflation using inflation estimates provided by Data Resources, Inc.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Marilyn Chism

APPROVED BY: James D. Johnson

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