

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 05/24/2024  
POSITION: Oppose

BILL NUMBER: SB 294  
AUTHOR: Wiener, Scott  
RELATED BILLS:

**BILL SUMMARY: Health care coverage: independent medical review.**

This bill requires a health plan or disability insurer that provides coverage for mental health or substance use disorders to treat a denial, delay or modification of a mental health or substance abuse disorder coverage of treatment as if it is also a grievance submitted by the enrollee, as well as provide written acknowledgement of the grievance. This bill also requires a health plan or insurer that upholds its decision to deny, delay or modify a disputed health care service relating to mental health or substance use disorder conditions, to automatically submit the decision and information used to make the decision to the Independent Medical Review system within 24 hours.

**FISCAL SUMMARY**

The Department of Managed Health Care (DMHC) estimates the cost of this bill to be approximately \$1,265,000 Managed Care Fund (MCF) and five positions in 2024-25, \$12,995,000 MCF and 26 positions in 2025-26, \$90,233,000 MCF and 340 positions in 2026-27, \$92,262,000 MCF and 340 positions in 2027-28, \$87,640,000 MCF and 340.0 positions in 2028-29 and annually thereafter.

A one-million dollar increase to the MCF results in a two-cent increase on assessments to full-service health plans and a one-cent increase to specialized health plans. To the extent this bill results in additional assessments on health plans, consumers may face increased premiums.

The California Department of Insurance estimates the cost of this bill to be approximately \$2,297,000 Insurance Fund and eight positions in 2025-26, \$1,216,000 Insurance Fund and five positions in 2026-27 and annually thereafter.

The California Public Employees' Retirement System does not anticipate a significant fiscal impact.

A fiscal impact for Covered California was not available at the time of this analysis.

A fiscal impact for the Department of Health Care Services was not available at the time of this analysis. The current version of this bill does not apply to Medi-Cal managed care plans. To the extent this bill does impact Medi-Cal, there could potentially be General Fund cost pressures in the millions of dollars.

Finance notes that the requirements of this bill could lead to increased utilization of services, which could result in significant cost pressures for health plans and insurers. These costs would likely be passed on to consumers through higher premiums. Additionally, this policy change could

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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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**FISCAL SUMMARY** (continued)

create greater cost pressures to address similar treatments or services in a similar manner, which could also lead to greater increased utilization of services.

This bill does not create a state-reimbursable mandate because it does not require a new program or higher level of service. Rather, these sections make a willful violation of these provisions by a health care service plan a crime, which is not a reimbursable state mandate.

Any requests for additional resources are subject to review and approval through the annual budget process.

**COMMENTS**

The Department of Finance opposes this bill as it creates significant costs to the Managed Care Fund and the Insurance Fund not included in the 2024-25 spending plan. These costs would likely result in increased rates, which would be passed on to consumers through higher premiums.

Existing law established the Office of Health Care Affordability to contain costs drivers and establish a sustainable healthcare growth rate. The costs associated with this bill could increase the cost of health care for enrollees significantly, conflicting with the state's goal to slow the growth of health care costs. Along with significant costs, DMHC notes there are significant challenges to implement the provisions by the bill's deadline and challenges issuing instructions for compliance without a longer Administrative Procedures Act Exemption.

Existing law requires a health plan or insurer to provide coverage for medically necessary treatment for mental health and substance abuse disorders and requires the use of criteria developed by nonprofit professional associations when making determinations. Additionally, existing law safeguards enrollees from the decisions upheld by health care service plans and disability insurers by establishing the Independent Medical Review system, and the additional costs to automate this system may not be warranted, subject to a policy determination.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code	
	LA	(Dollars in Thousands)							
	CO RV	PROP 98	FC	2024-2025 FC	2025-2026 FC	2026-2027 FC			
4150/MngedHltCare	SO	No	B	12,650	C	12,995	C	90,233	0933
0845/Insurance	SO	No	B	0	B	2,297	C	1,216	0217
7900/PERS	SO	No		----- No/Minor Fiscal Impact -----				0001	
<u>Fund Code</u>			<u>Title</u>						
0001			General Fund						
0217			Insurance Fund						
0933			Managed Care Fund						