

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 231** SLS 20RS 352

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|---|---------|-----------------------------|
| Date: May 15, 2020 | 8:19 AM | Author: TALBOT |
| Dept./Agy.: LA Dept. of Insurance | | Analyst: Zachary Rau |
| Subject: Reactivation Process for LA Health Plan | | |

INSURANCE POLICIES EG SEE FISC NOTE OF RV See Note
Provides with respect to the Louisiana Health Plan. gov sig

Present law provides for the dissolution of the LA Health Plan on 12/31/2013. Proposed law provides for a process allowing the Commissioner of Insurance to reactivate the plan in the event a federal or state law no longer prohibits carriers in the individual market from rejecting applicants based on preexisting health conditions. Proposed law provides for the assessment of service charges to certain patients for each day they are in a facility. Proposed law provides for fees assessed to participating health insurers for plan losses associated with federally-defined eligible individuals. Proposed law provides for health and accident policy provisions, as well as service charges and penalties. Proposed law provides that rejections for individual health and accident insurance contain information that individuals may be eligible for coverage through the LA Health Plan.

| EXPENDITURES | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | | | | | \$0 |

| REVENUES | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | | | | | \$0 |

EXPENDITURE EXPLANATION

Proposed law may significantly increase other funds expenditures by an indeterminable amount associated with reactivating and operating the LA Health Plan. The plan may only be reactivated by the Commissioner of Insurance in the event that federal and state laws no longer prohibit carriers in the individual health insurance market from rejecting/excluding coverage for persons with preexisting conditions. Because it is unknown if the aforementioned situation will occur, expenditures associated with reactivating the LA Health Plan are currently speculative, but will likely be significant if reactivated. For reference, the LA Health Plan was a quasi-governmental organization that operated from 1992-2013, offering insurance coverage to persons excluded from private insurance due to preexisting conditions. The plan expended \$20.8 M (\$18.8 M associated with claims expenses, \$806,000 associated with claims administration expenses, and \$1.2 M with general and administrative expenses) and had an enrollment of approximately 1,728 persons in Calendar Year 11.

Staff at the LA Dept. of Insurance indicate that the earliest these expenditures may occur would be FY 22 in the event the Patient Protection and Affordable Care Act (PPACA) is overturned, as the service charge for inpatient bed days must be in place the August prior to the LA Health Plan reactivating in January. LDI staff do not anticipate a decision on the constitutionality of the PPACA until after late 2020 or early 2021, as *Texas v. United States* was ordered back to a lower court by the Fifth Circuit Court of Appeals in December 2019.

REVENUE EXPLANATION

Proposed law may significantly increase revenues derived from various sources, such as service charges, insurance company assessments, premium collections, investment revenues, and grant revenues associated with reactivating and operating the LA Health Plan by an indeterminable amount. The plan will only reactivate in the event that federal and state law no longer prohibit carriers in the individual health insurance market from rejecting/excluding coverage for persons with preexisting conditions. Because it is unknown if the aforementioned situation will occur, revenues generated from the aforementioned sources associated with reactivating the LA Health Plan are currently speculative, but will likely be significant. For reference, plan revenues for Calendar Year 11 are outlined below by source:

- \$505,635 - Mandated Service Charges (\$1/day for outpatient surgery procedures, \$2/day for inpatient, paid by insurers)
- \$7,405,667 - Insurance Company Assessments (Actuarial determination of rate assessment, assigned to health insurance companies prorata on a basis of premium volume)
- \$9,044,622 - Premium Collections (from insureds)
- \$1,550,115 - Investment revenues
- \$1,348,493 - Grant revenues (federal grants provided for rate reduction and preventive disease management)

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Staff Director