

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 126** SLS 13RS 334

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|---|---------|-----------------------------------|
| Date: April 30, 2013 | 1:29 PM | Author: SMITH, GARY |
| Dept./Agy.: Louisiana Department of Insurance | | Analyst: Alan M. Boxberger |
| Subject: Provides relative to health insurance rate review | | |

HEALTH/ACC INSURANCE OR +\$411,196 SG EX See Note
Provides relative to health insurance rate review and approval. (See Act.)

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Present law provides for approval/disapproval of health and accident insurance forms and policies by the commissioner of insurance; provides rate limitations for health benefits plans for small employers and individuals; provides for rating factors; sets allowable percentages of annual increases; requires certain disclosures with regard to rates; provides for maintenance of records; allows insurers to create and maintain separate risk pools; and provides for prohibition of unfair discrimination. Proposed law establishes a fee for new rate filings and changes; increases the time for the use of forms from 45 days to 60 days after filing; makes rate review and approval requirements applicable to large group health plans; provides for commissioner review of rates; provides certain rating restrictions effective 1/1/14; prohibits use of health status in rate setting; requires opportunity for public comment; prohibits separate risk pools; provides for penalties, revocation and suspension; provides for judicial review; provides for length of health plans and disallows rate changes during the plan period; and requires actuarial certification. Effective 1/1/14.

| EXPENDITURES | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 5 -YEAR TOTAL |
|---------------------|------------------|------------------|------------------|------------------|------------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$411,196 | \$427,643 | \$444,749 | \$462,540 | \$481,041 | \$2,227,169 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$411,196 | \$427,643 | \$444,749 | \$462,540 | \$481,041 | \$2,227,169 |

| REVENUES | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Agy. Self-Gen. | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE | |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

The proposed law will result in an increase in expenditures by the Louisiana Department of Insurance (LDI) estimated at approximately \$411,196, and require 2 additional T.O. in FY 14. Under the proposed law, a health insurance issuer shall be required to file information related to any proposed increase in base premium to the commissioner of insurance for evaluation and approval. Filings shall be made no less than 105 days prior to the proposed effective date. The department shall publish on its website a public summary of such proposals within 15 days of submission and allow the public 30 days to submit comments after such publication. The department shall evaluate the rate increase, make an actuarial determination of reasonableness, and notify the health insurance issuer of approval or disapproval of the premium rate filing within 60 days of filing. The department shall also post final determinations on its website.

In 2011, there were 85 health insurance companies that reported premiums subject to an assessment as per the federal Health Insurance Portability and Accountability Act (HIPAA). Of these companies, premium changes impacted approximately 690 different health or major medical products. The requirements of the proposed law will cause an increase in workload for reviewing rate increases within LDI's Office of Health Insurance within the Market Compliance Program. LDI indicates it will

CONTINUED ON PAGE 2

REVENUE EXPLANATION

The proposed law would result in additional fees and self-generated revenues to the Louisiana Department of Insurance (LDI). The proposed law sets fees for new premium rate filings at \$100 and for premium rate changes at \$150. LDI is unable to anticipate the number of rate filings that would occur on an annual basis. In 2011, LDI had 290 filings on major medical products and HMO products. The department anticipates the number of rate reviews required under the proposed law to be substantially greater than 290 filings mentioned above. LDI estimates the additional SGR revenues to be generated under the proposed law to exceed \$29,000 annually. Proposed law also provides for specific penalties ranging from \$1,000 per violation up to \$25,000 for failure to comply with enumerated requirements. The LFO believes this could result in a periodic and potentially substantial increase in SGR revenues, but the total and frequency is indeterminable.

LDI currently generates SGR in excess of its operating budget authority and this amount is included as SGF revenue by the Revenue Estimating Conference (REC). The excess reverting to the SGF exceeds the amount necessary for the expenditures required within the proposed law. LDI could absorb the costs incurred by the proposed law with existing revenues but would require additional SGR budget authority in HB1. This would, in effect, reduce the SGF estimate by the REC on a dollar for dollar basis. To the degree that federal funds may be available for this activity, the impact on SGF could be lessened or eliminated. The LFO is unable to estimate this likelihood.

| | | |
|--|----------------------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input checked="" type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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CONTINUED EXPLANATION from page one:

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require two additional positions, one Insurance Specialist III to process rate filings and one staff actuary to perform timely actuarial analyses of rate filings. Additionally, LDI will require a professional services contract for an actuarial consultant to evaluate rates based on actuarial principles and to assist LDI in the development and/or expansion of the rate review procedures and systems to comply with the requirements of the federal Patient Protection and Affordable Care Act (PPACA). LDI will require a \$50,000 information technology contract to redesign its website to facilitate public notice of rate reviews, allow for public feedback and to post final determination information.

LDI received a federal grant in FY 11 to fund or supplement this activity. In order to qualify for additional federal grants, the state is required to have an effective rate review process in place. Proposed law provides a framework that will allow LDI to apply for additional federal funds. To the degree that federal funds may be available for this activity, the impact on SGF could be lessened or eliminated. LDI and the LFO are unable to estimate the likelihood of future federal funding for this activity.

Operating Budget Impact

| EXPENDITURES | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
| SALARIES | \$164,184 | \$170,751 | \$177,581 | \$184,685 | \$192,072 |
| RELATED BENEFITS | \$69,330 | \$72,103 | \$74,987 | \$77,987 | \$81,106 |
| OPERATING SERVICES | \$13,886 | \$14,441 | \$15,019 | \$15,620 | \$16,245 |
| SUPPLIES | \$1,296 | \$1,348 | \$1,402 | \$1,458 | \$1,516 |
| PROFESSIONAL SERVICES | \$162,500 | \$169,000 | \$175,760 | \$182,790 | \$190,102 |
| TOTAL | \$411,196 | \$427,643 | \$444,749 | \$462,540 | \$481,041 |
| T.O. | 2 | 2 | 2 | 2 | 2 |

The operating budget impact assumes the addition of two (2) T.O. positions as noted on the previous page and adjusts personal services expenditures by 4% in each year after the first to account for the possibility of merit increases.

The operating services category includes costs such as building maintenance, postage, telephone service, printing, and other statewide costs associated with employee activities and overhead. The supplies category provide office supplies for two employees. The professional services category includes expenditures of \$50,000 in FY 14 for website design and modifications and \$112,500 for actuary services. LDI anticipates it may require additional website design and modifications in each fiscal year to address ongoing changes in federal law, and retains the \$50,000 professional service estimate as a potential expenditure in each fiscal year beyond the first. The operating services and professional services expenditure categories are adjusted upwards by 4% each year to account for potential inflationary costs.

| | | |
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Dual Referral Rules

House

- | | |
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