

State Corporation Commission 2006 Fiscal Impact Statement

1. Bill Number HB1324

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Nutter

3. Committee Commerce and Labor

4. Title Plan for increased health insurance competition.

5. Summary/Purpose: Requires the Commissioner of Insurance to prepare a plan to double the level of competition among providers of health insurance products in rural areas of Virginia. The plan must address (i) the current level of competition in rural areas; (ii) barriers to increased competition; (iii) effects of increased competition; (iv) analysis of potential solutions, including incentives for HMOs; and (v) ways to overcome institutional, legal and economic barriers. The Commissioner must submit the plan to the Governor and the Chairmen of the House and Senate Committees on Commerce and Labor by July 1, 2008.

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance, the Virginia Department of Health, the Virginia Department of Taxation and the Joint Commission on Health Care

10. Technical amendment necessary: Maybe; see Item # 11.

11. Other comments: It appears that the focus of the study is the insufficiency of the number of health care providers and facilities, and sufficient networks for rural areas, and not insurance. The State Corporation Commission Bureau of Insurance wrote to the patron of House Bill 1324 regarding the legislation. The letter advised the patron that the lack of competition among health insurers in areas within the Commonwealth is directly related to an insufficient number of health care providers and/or health care facilities. A health insurance carrier, particularly a managed care health insurance plan providing or arranging for the provision of health care, would likely be unable to establish a sufficient network to serve certain rural areas and, therefore, operate efficiently. The establishment of tangible or intangible incentives to encourage providers to practice in these areas would be critical to the success of efforts to increase health insurance competition. Certainly, other incentives may be offered to insurers and health plans to encourage their expansion into certain areas, but increased provider availability seems foundational. To that end, the Bureau of Insurance suggested that in order to assess the extent of the problem, to

identify the critically underserved areas, and to recommend solutions for increased provider activity and carrier participation in these areas, that an agency study conducted by the Joint Commission on Health Care with the assistance of the Virginia Department of Health, the Bureau of Insurance, and the Virginia Department of Taxation was more appropriate since the focus of the study is not insurance but the insufficiency of the number of health care providers and facilities and sufficient networks for rural areas, which falls under the regulatory purview of the Virginia Department of Health.

Date: 01/22/06 / V. Tompkins

cc: Secretary of Health and Human Resources