State Corporation Commission
2018 Fiscal Impact Statement

1. **Bill Number:** SB671

House of Origin	☒	Introduced	☐	Substitute	☐ Engrossed
Second House	☐	In Committee	☐	Substitute	☐ Enrolled

2. **Patron:** Deeds

3. **Committee:** Commerce and Labor

4. **Title:** Health carriers; participation in health benefit exchange; requirement for conducting insurance.

5. **Summary:** Prohibits a health carrier from engaging in the business of insurance in the Commonwealth or administering, sponsoring, selling, or providing a policy, coverage or services under a health plan or program for state or local employees or a Medicaid managed care program unless the health carrier is actively participating in any health benefit exchange established or operated in the Commonwealth. The measure defines "actively participating in the exchange" as offering health benefits plans on an exchange (i) in the individual market; (ii)at the bronze and silver levels, and at any other level at the health carrier's discretion; and (iii) in every locality in the Commonwealth in which the health carrier conducts any of the foregoing activities.

6. **Budget amendment necessary:** Yes, according to the Department of Medical Assistance Services (DMAS). (No budget amendment is necessary for the State Corporation Commission.)

7. **Fiscal Impact Estimates:** No Fiscal Impact on the State Corporation Commission. However, according to DMAS, the bill would significantly impact the current DMAS-contracted managed care organizations (MCOs). It is likely that only two MCOs, Anthem and Optima, would meet the requirements of this bill if enacted. DMAS estimates that the cost of necessary systems changes and member mailings would be $510,000 in ($255,000 GF) FY 2019.

Expenditure Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2018	$0	0.0	General
2018	$0	0.0	Non-General
2019	$255,000	0.0	General
2019	$255,000	0.0	Non-General
2020	$0	0.0	General
2020	$0	0.0	Non-General
2021	$0	0.0	General
2021	$0	0.0	Non-General
2022	$0	0.0	General
2022	$0	0.0	Non-General
2023	$0	0.0	General
2023	$0	0.0	Non-General
2024	$0	0.0	General
2024	$0	0.0	Non-General

8. Fiscal Implications: According to DMAS, SB 671 would make participation in the private health insurance exchange a mandatory prerequisite for MCOs' eligibility to administer a Medicaid program, or sell any other health insurance in Virginia. Beginning in August of 2018, DMAS will have contractual relationships with a total of six MCOs in both the MEDALLION 4.0 and CCC+ programs. Only two of the six MCOs now offer health plans on the Virginia individual health insurance exchange market—Anthem and Optima. Two of the MCOs pulled out of the entire Virginia exchange market in 2017: United Healthcare and Aetna. Additionally, two of the MCOs do not offer any commercial health insurance products in Virginia, Magellan and Virginia Premier.

Members enrolled in a health plan that exited the MEDALLION and CCC+ programs would have to be reassigned to a new health plan. This would cause significant disruption in member care and may result in members losing their current providers. DMAS would need to amend the existing Centers for Medicare and Medicaid Services (CMS) waiver(s) to operate the MEDALLION and CCC+ programs. Additionally, the MEDALLION 4.0 program might need to be re-procured because of the significant change in scope of the MCO plans participating. A re-procurement or the likely possibility of MCOs pulling out of the new MEDALLION 4.0 contract and the existing CCC+ contract could jeopardize the viability of these significant agency initiatives. If only two plans remained and one or both decided to pull out of MEDALLION 4.0 or CCC+, these programs would fail to meet the member choice requirements in federal law.

DMAS estimates that approximately 1500 hours ($140 per hour) would be needed for system changes that will require a one-time expenditure of $210,000 total funds ($105,000 GF) in FY 2019. Preprogrammed algorithms currently assign recipients to a MCO, this process would be changed significantly and would require members to be removed from a non-participating provider and then reassigned to a new provider that meets requirements of this bill. In addition, system changes would be required to make updates in websites that are currently used to advertise and link MCOs to customers via the internet. Further, there is a federal requirement to notify members of any program change. DMAS estimates that cost of mailings that would be sent to all managed care members in both MEDALLION and CCC+ (approximately 1,000,000 members at a cost of $.30 per mailing) would be $300,000 ($150,000 general funds) in FY 2019.

The Department of Human Resource Management (DHRM) offered the following fiscal implications for Senate Bill 671:

> None of the major carriers doing business throughout Virginia currently "actively participates in the exchange" as the phrase is defined in the bill, because none of them offers plans through the exchange in every locality in Virginia in which they operate. Generally, carriers have chosen to pull out altogether or limit their offerings because they consider the financial risk to participate in some or all regions to be too high.
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> Current contracts for third party administration of the state employee health plan and The Local Choice (TLC) health plan for local governments and schools expire effective June 30, 2019. The DHRM will begin procurement for these services in the summer of 2018.

Carriers generally make a final decision regarding exchange participation around the end of September or October of the year prior to the coverage year. Consequently, it is possible that DHRM would have to make procurement decisions without knowing with certainty whether bidding carriers would be participating in the exchange.

There is no assurance that any of the large carriers would consider the ability to contract with Virginia Medicaid, the state employee health plan or TLC, or even to conduct business in Virginia, to be a large enough incentive to ignore the financial risk involved with meeting the requirements of this bill. It is unclear whether enough regional carriers would meet the requirements to allow for a statewide network.

At a minimum, this bill would likely stifle competition in the procurement process. Without adequate competition, the state would lose bargaining power. Furthermore, carriers' capabilities vary. As examples, the level of network discounts or the ability to deliver innovative solutions may differ. Each of these variables carries significant fiscal ramifications. This bill could have a negative fiscal impact totaling millions of dollars.

9. **Specific Agency or Political Subdivisions Affected:** State Corporation Commission Bureau of Insurance, the Department of Medical Assistance Services, and the Department of Human Resource Management

10. **Technical Amendment Necessary:** No

11. **Other Comments:** None

Date: 01/24/18/V. Tompkins