

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: SB844-S1

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

2. Patron: Dunnavant

3. Committee: Finance

4. Title: Health insurance; active participation in health benefit exchange condition to government contract.

5. Summary: Bars a health carrier that does not actively participate in the health benefit exchange from entering into or renewing a contract with the Commonwealth or any agency or political subdivision thereof related to the administration, sponsorship, sale, offering, or provision of services or benefits under a Medicaid managed care program or a health insurance program for current or retired state or local government employees.

The substitute of Senate Bill 844 incorporates Senate Bill 671 (Deeds).

6. Budget Amendment Necessary: Yes - Department of Medical Assistance Services (DMAS).

7. Fiscal Impact Estimates: Preliminary – See Item 8. 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:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	\$0	0.00	-
2018	\$0	0.00	-
2019	\$255,000	0.00	GF
2019	\$255,000	0.00	NGF
2020	\$0	0.00	-
2020	\$0	0.00	-
2021	\$0	0.00	-
2021	\$0	0.00	-
2022	\$0	0.00	-
2022	\$0	0.00	-
2023	\$0	0.00	-

2023	\$0	0.00	-
2024	\$0	0.00	-
2024	\$0	0.00	-

- 8. Fiscal Implications:** According to DMAS, the proposed legislation 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 1,500 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.

According to the Department of Human Resource Management, the fiscal impact for the state health insurance plan cannot be determined. None of the major carriers doing business in Virginia currently “actively participate in the exchange” as the phrase is defined in the bill, because none of major carriers offer plans through the exchange in every locality in Virginia in which they operate. Both United Healthcare and Aetna recently pulled out of the Virginia exchange. They are required to wait five years before they can return. Anthem, Cigna, and Optima participate in the exchange in certain localities but not in every locality 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.

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 Department of Human Resource Management will begin procurement for these services in the summer of 2018.

There is no assurance that any of the large carriers would consider the ability to contract with the state employee health plan or TLC 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 carry significant fiscal ramifications. This bill could have a negative fiscal impact totaling millions of dollars.

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

10. Technical Amendment Necessary: No.

11. Other Comments: Incorporating Senate Bill 671 (Deeds) into Senate Bill 844 (Dunnavant) did not affect the fiscal impact of the proposed legislation.