

# Department of Planning and Budget

## 2008 Fiscal Impact Statement

**1. Bill Number:** HB1419

House of Origin      X      Introduced                  Substitute                  Engrossed  
 Second House                  In Committee              Substitute                  Enrolled

**2. Patron:**        Nutter

**3. Committee:** Commerce and Labor

**4. Title:**         **Coordination of health insurance benefits.**

**5. Summary:** Prohibits an insurer issuing individual or group accident and sickness insurance policies providing hospital, medical and surgical, or major medical coverage on an expense-incurred basis, a corporation providing individual or group accident and sickness subscription contracts, or a health maintenance organization providing a health care plan for health care services from delaying or refusing to make payment to a provider for covered expenses as a consequence of a failure or delay of the insured, subscriber, or member in responding to any coordination of benefits questionnaire or similar periodic inquiry from the insurer, corporation, or health maintenance organization regarding whether the insured, subscriber, or member or other family members enrolled with the insured, subscriber, or member are covered under another health insurance plan that may have primary responsibility for covered expenses. A similar prohibition is established with respect to the health insurance plan for state employees.

**6. Fiscal Impact Estimates:**

<i>Fiscal Year</i>	<i>Dollars</i>		<i>Fund</i>
2009	\$1,415,673	to \$2,831,346	General Fund
2009	\$1,134,896	to \$2,269,792	Nongeneral Fund-State Agencies
2009	\$597,518	to \$1,195,037	Employees and Pre-Medicare Retirees
2009	\$409,315	to \$818,631	The Local Choice Program
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2013	\$597,518	to \$1,195,037	Employees and Pre-Medicare Retirees
2013	\$409,315	to \$818,631	The Local Choice Program
2014	\$1,415,673	to \$2,831,346	General Fund
2014	\$1,134,896	to \$2,269,792	Nongeneral Fund-State Agencies
2014	\$597,518	to \$1,195,037	Employees and Pre-Medicare Retirees
2014	\$409,315	to \$818,631	The Local Choice Program

**7. Budget Amendment Necessary: Yes:** At minimum, \$1,415,673 for FY 2009 and \$1,415,673 for FY 2010 would need to be added to Item 472 of the introduced budget to cover the general fund share of this cost increase. In addition, a minimum of \$409,315 in nongeneral fund appropriation each year would need to be added to Item 86 to cover the cost to the Local Choice program.

**8. Fiscal Implications:** The state employee and Local Choice health insurance programs administered by the Department of Human Resource Management currently coordinate the benefits paid by state's plans with benefits paid through other providers. In some cases, especially with dependents of state employees, there may be other providers that are considered to be the primary health insurance provider for those individuals. In such cases, the primary health insurance program covers their share of the claim. Once the other plan has made payment, the state plan would consider remaining charges, however in no case would the combined payment exceed what the state's plan would have paid had the state plan been primary insurer.

In FY 2007, the savings resulting from the coordination of benefits to the state employee health insurance program was \$12,952,350 and the savings to the Local Choice program was \$1,637,261.

This bill would effectively eliminate the ability for these programs to discover where other coverages exist. If the state's health insurance programs make a payment in full without knowing whether or not other coverages exist, there is no incentive for the claimant to report such alternative coverage. The result is that the state's health insurance plans may make payments on claims that are rightfully the responsibility of other health insurance programs.

The Department of Human Resource Management indicates that as a result of this bill, approximately 25 to 50 percent of the savings attributable to coordination of benefits would be lost. This would create a cost increase of between \$3.1 million and \$6.3 million (all funds) for the state employee health insurance program and between \$409,315 and \$818,631 for the Local Choice program.

The increase in cost would result in the need for an increase in the premiums charged to employers and employees. Of the total state employee program cost, \$1.4 million to \$2.8 million would be the cost to agencies funded with general fund dollars, \$1.1 to \$2.3 would be the cost to nongeneral fund agencies, and \$597,518 to \$1.2 million would be paid by employees and retirees not yet eligible for Medicare.

**9. Specific Agency or Political Subdivisions Affected:** All state agencies and all political subdivisions that provide health insurance to their employees.

**10. Technical Amendment Necessary:** N/A

**11. Other Comments:** N/A

**Date:** 1/17/2008 JDH

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