

State Corporation Commission 2010 Fiscal Impact Statement

1. Bill Number: HB1294

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

2. Patron: Marshall, R.G.

3. Committee: Commerce and Labor

4. Title: **Health insurers; efficiency information.**

5. Summary: Requires the Commissioner of Insurance to request from licensed health insurers (including health services plans and HMOs) by March 1 of each year beginning March 1, 2011, data regarding efficiency of their operations. The data to be submitted includes: administrative costs, percentage of premiums and other revenues paid in claims (loss ratios), insureds' choices of providers, provider and insured incentives to reduce cost and improve patient health, preauthorization requirements, and restrictions on use of imaging and other services. The Commissioner is to compile this data so that the public may be able to compare the efficiency of licensed health insurers.

6. Fiscal Impact Estimates on the State Corporation Commission are unavailable (see Line 8).

7. Budget amendment necessary: No

8. Fiscal implications: Much of the data contemplated by House Bill 1294 would not be available from a health insurer's current regulatory filings, would most likely require new data definitions, and would entail special reporting. In addition, consistency in data reporting across carriers and time segments would have to be ensured. Such efforts would likely result in substantial system and programming costs to the insurers as well as to the State Corporation Commission.

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: The Bureau of Insurance recommended to the patron of House Bill 1294 that the term "Commissioner of Insurance" be replaced with the term "Commission" throughout the bill.

11. Other comments: The Bureau of Insurance offered the patron the following comments on House Bill 1294. The term "relative efficiency" is not defined, specifically as the benchmark or outcome against which health insurers are to be measured. Therefore, Bureau of Insurance staff cannot ascertain whether the data elements outlined in § 38.2-3404.1 would produce the information necessary to gauge relative efficiency for consumers and purchasers of health care coverage. The challenge to produce meaningful information is further increased by those elements set forth in § 3404.1 B iii, iv, and vi, since the description of these elements only calls

for some type of narrative response without any clear direction on how to establish comparability.

Overall, the Commissioner of Insurance (Commission) would assume a role beyond mere data collection under House Bill 1294. The Commission would have to bring its own subjective judgment and notions to bear in defining and compiling data elements as well as in formatting data to produce meaningful information regarding the scoring of health insurers. Making such judgment and producing a methodology for rating insurers without any clearly defined and proven standard of “relative efficiency” value would seem to be beyond the responsibilities of a regulatory agency such as the Commission (and its Bureau of Insurance).

In addition, Bureau of Insurance staff pointed out to the patron possible consequences of a governmental regulatory agency providing ratings based on subjective judgments regarding measures of “relative efficiency.” Such ratings could provide misleading signals to the public and bring about reputational and even solvency issues for certain health insurers. Such results would be inconsistent with the regulatory agency’s responsibilities to foster a well-functioning, competitive insurance marketplace with proper insolvency safeguards.

The Bureau of Insurance asked the patron of the bill to delay its effective date. The time needed to implement system standards and changes across the insurance industry and within the State Corporation Commission makes the current effective date of March 1, 2011 for Reporting Year 2010 extremely difficult, if not impossible for insurers and the Commission to meet. The Bureau of Insurance suggested a delay until March 1, 2012 for Reporting Year 2011 to give the Commission and insurers sufficient time to implement the provisions of House Bill 1294.

Date: 02/16/10 V. Tompkins

cc: Secretary of Commerce and Trade
Secretary of Health and Human Resources