

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: HB 357

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: McClellan

3. Committee: Commerce and Labor

4. Title: Virginia Health Benefits Exchange Authority

5. Summary: The bill creates the Virginia Health Benefits Exchange Authority as a political subdivision of the Commonwealth. The authority has a 12-member board of directors and is charged with establishing and operating a health benefit exchange for qualified individuals and small businesses as required by the federal Patient Protection and Affordable Care Act (P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152), hereafter referred to as the Affordable Care Act (ACA). The authority is authorized to enter into agreements with the State Corporation Commission and Departments of Medical Assistance Services, Health, and Social Services to assist in implementing and operating the exchange. The authority will be funded by assessments on health insurers offering plans through the exchange.

The bill has a second enactment clause requiring the State Corporation Commission to conduct proceedings to adopt regulations. A third enactment clause provides the board of the authority with the power to issue emergency regulations to implement the bill. The fourth enactment clause provides that the bill will expire on the effective date of a final, nonappealable order of a court of proper jurisdiction invalidating the ACA or of federal legislation repealing the federal act.

6. Budget Amendment Necessary: Yes. See Item 8.

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

8. Fiscal Implications: The bill's intent is to establish a health benefits exchange operated by the state as an authority and not by the federal government. The fiscal impact is projected to range from \$6.5 million to \$25.6 million a year. The funding source cannot be determined at this time. There is currently a federal deadline of June 29, 2012, for states to submit applications for federal implementation funding that will have passed before this bill takes effect. Therefore federal funding may not be available. If the federal government changes the date or the state decides to apply for federal funding prior to the deadline, then the state will likely receive federal funding to cover most, if not all, of the costs to implement the

exchange. The federal government has already awarded 29 states with exchange establishment grants that range from \$1.5 million to as high as \$63.8 million.

The Department of Medical Assistance Services has engaged a private consultant to develop high-level cost estimates for Virginia; however, at this time, those estimates have not been completed. With no Virginia-specific estimates available, this fiscal impact statement depends on estimates that have been developed for other states. The other states reviewed include: North Carolina, Illinois, Utah, Wyoming, California, Delaware, Massachusetts, and Vermont.

The major costs of this fiscal impact are split into two pieces. The first is the cost of creating the authority (i.e. the start-up costs). The second major piece is the cost to state agencies to assist the authority in implementing and operating the exchange. The ongoing operational costs of the authority, beginning in 2015, are not estimated for two reasons. One, the authority will be a political subdivision of the Commonwealth. Two, the authority is required by the ACA to be self-supporting, beginning in 2015, and it is anticipated that the authority will generate sufficient revenue from the levy of fees to support ongoing operations.

The Exchange Authority

There are eight major cost centers identified in federal guidance that are required to operate an exchange. These are:

- Staff salaries and benefits
- Rent and administrative support
- Enrollment and eligibility
- Call center
- Premium billing collection
- Outreach and education
- Consulting services
- Information technology / website

Staff salaries and benefits

It is difficult to know how many staff the authority will need to operate, but it is assumed that the staff will be small as much of the work will be contracted out to state agencies or private vendors. This fiscal impact statement uses a range from seven to 21 staff as a basis for calculating the estimates.

Rent and administrative support

Rent and administrative costs are based on maintaining a small office and include estimates for utilities, insurance, supplies, travel, legal fees, a financial audit, and an accounting system. These costs are based on estimates developed for other states, but adjusted to the range of staff previously mentioned.

Enrollment and eligibility system

The authority will need an information technology infrastructure that utilizes a Web portal for people to interact with the exchange and handle the activities related to determining eligibility for premium subsidies and enrollment. The ACA requires that individuals seeking insurance through an exchange must be able to enroll in Medicaid or FAMIS, if they are determined to be eligible.

Call center

The bill requires the authority to operate a toll-free hotline for individuals. The authority is expected to contract with a private vendor to operate a call center to meet this obligation.

Premium billing collection

The authority may be involved with collecting and administering premiums for individuals and small employers. It is assumed that a vendor will be used meet this requirement.

Outreach and education

Outreach efforts, including Navigators, are necessary to educate consumers about the exchange and what it offers. Navigators are entities the exchange will contract with to assist individuals in learning about the exchange and how to access insurance through it.

Consulting services

In order to implement and operate the exchange a variety of services from consultants and vendors will be needed. At a minimum, the requirements include vendors to assist in certifying health plans, actuarial analysis, auditing, legal services, reporting, quality assurance and other functions.

Information technology / website

The authority is responsible for development and maintenance of a website, along with other basic information technology functions of the authority (i.e. office network). The website is the major cost, because it is the main entry point for contact by consumers with the exchange. The website must allow consumers to easily compare premium costs, cost sharing, and health plan features. In addition, it must have a calculator that allows individuals to determine any premium subsidies for which they might be eligible. The website must also allow individuals to apply for insurance offered through the exchange (or Medicaid / FAMIS if they qualify).

Summary of Exchange Costs

The following table is a breakout of the potential fiscal impact by cost center. As mentioned earlier in the FIS, the range of costs is based on a review of estimates developed for other states. Without Virginia-specific estimates this FIS attempts to provide a general idea of the impact.

Summary of Fiscal Impact

Cost Center	FY 2013		FY 2014		FY 2015	
	Low	Hi	Low	Hi	Low	Hi
Salaries and benefits	\$700,000	\$2,100,000	\$700,000	\$2,100,000	\$350,000	\$1,050,000
Rent and administrative support	\$300,000	\$500,000	\$300,000	\$500,000	\$150,000	\$250,000
Enrollment and eligibility system	\$1,000,000	\$7,000,000	\$1,000,000	\$7,000,000	\$500,000	\$3,500,000
Call center	\$1,000,000	\$3,000,000	\$1,000,000	\$3,000,000	\$500,000	\$1,500,000
Premium billing collection	\$2,000,000	\$4,000,000	\$2,000,000	\$4,000,000	\$1,000,000	\$2,000,000
Marketing and outreach	\$500,000	\$4,500,000	\$500,000	\$4,500,000	\$250,000	\$2,250,000
Consulting services	\$500,000	\$3,000,000	\$500,000	\$3,000,000	\$250,000	\$1,500,000
Information technology / website	\$500,000	\$1,500,000	\$500,000	\$1,500,000	\$250,000	\$750,000
Grand Total	\$6,500,000	\$25,600,000	\$6,500,000	\$25,600,000	\$3,250,000	\$12,800,000

Impact on State Agencies

State Corporation Commission

The bill requires the State Corporation Commission (SCC) to determine that health carriers are licensed and in good standing, that health plans offered through the exchange meet certain requirements, and that health carriers charge the same premium rates for plans regardless of whether it is offered inside or outside the exchange. According to the SCC, they currently conduct similar activities and it is unknown if the workload required will exceed the agency's current staffing level. If the workload does exceed the SCC's capabilities there may be additional staffing costs for the SCC, the costs of which will be paid by the exchange.

Department of Medical Assistance Services

The bill requires the exchange to enter into agreements with the Department of Medical Assistance Services (DMAS) to assist the exchange in determining eligibility for Medicaid and FAMIS, assisting in enrollment of these individuals, and assisting in establishing call centers, outreach programs, health plan enrollment, and enrollment renewals. If individuals seek to purchase insurance through the exchange, the exchange must be able to determine if the individuals are otherwise eligible for Medicaid and FAMIS. DMAS is currently developing a new information technology platform that will be able to interact with the exchange for the purpose of determining eligibility. Therefore, no fiscal impact is assumed for these costs. To the degree that DMAS staff or resources are insufficient to handle the agreements with the exchange for various activities, there may be additional costs at DMAS that will have to be reimbursed by the exchange. However, at this point there is no information available to indicate resources at DMAS are inadequate to assist the exchange in the requirements of the bill.

Department of Health

The bill tasks the Virginia Department of Health (VDH) with assisting the exchange by determining that health plans in the exchange have adequate networks, compliance with

geographic area requirements for service areas, an adequate network of providers to serve low-income individuals, implementation of quality improvement strategies, and information quality measures for health plan performance. According to VDH they currently conduct many of these activities now and are expected to be able to handle the additional workload. However, if the workload is higher than expected there may be additional staffing costs at VDH for these activities, the costs of which will be paid by the exchange.

Department of Social Services

The bill requires the Department of Social Services (DSS) to assist in the implementation of an exchange. However, the bill does not designate any specific tasks for DSS to perform. Therefore, it is assumed that there is no fiscal impact on DSS because any assistance at this point could be handled with current staff. If the agency enters into an agreement for specific activities that exceed their workload capabilities then additional costs would be paid by the exchange.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Medical Assistance Services, Department of Health, Department of Social Services and the State Corporation Commission.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/31/12

Document: G:\GA Sessions\2012 Session\HB357.DOC