

## State Corporation Commission 2013 Fiscal Impact Statement

**1. Bill Number:** HB1769

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:** Kilgore

**3. Committee:** Commerce and Labor

**4. Title:** Health insurance; plan management and rate review.

**5. Summary:** Health insurance; plan management and rate review. Authorizes the State Corporation Commission (SCC), with assistance from the Virginia Department of Health (VDH), to perform plan management functions required to certify health benefit plans for participation in a federally facilitated health benefit exchange in Virginia. Adds § 38.2-316.1 which authorizes the Commission to review and approve premium rates applicable to comprehensive health insurance products issued by all types of carriers to individuals and to small employers. The statute further directs the Commission to promulgate regulations to establish the applicable rate review requirements. Adds § 38.2-326, which authorizes the performance by the Commission (with assistance from VDH) of plan management functions required to certify health benefit plans for participation in a federally facilitated health benefits exchange in Virginia, subject to specific conditions. "Plan management functions" includes analyses and reviews necessary to support the certification, decertification and recertification of qualified health plans for the federally facilitated health benefit exchange. The performance of these plan management functions is not conditioned upon Virginia's establishment of a partnership or "hybrid" exchange. Subsection C stipulates that the Commission's obligation to perform plan management functions is contingent upon receiving federal funding sufficient to pay the associated plan management expenses. Subsection D prohibits the Commission from using any special fund revenues to fund plan management functions. Subsection E clarifies that technology resources used by the Commission in performing plan management functions shall be limited to existing information technology (IT) support functions.

**6. Budget Amendment Necessary:** Yes, Item 473, General Fund appropriation of \$1.2 million in FY 2014.

**7. Fiscal Impact Estimates:** Fiscal Impact Estimates are Preliminary. See Item 8 below.

**8. Fiscal Implications:** The Commission shall not use any special funds dedicated to its other functions and duties, such as revenues from utility consumer taxes or fees from licenses regulated by the Commission or fees paid to the Clerk's Office to fund any of the plan management functions. While the costs to perform plan management functions under a federally facilitated health benefit exchange are unknown, data provided in the Price Waterhouse Coopers study prepared in March 2012 for the Virginia Health Reform Initiative was used to calculate the SCC's annual operating costs, estimated to be, at a minimum, \$1.2 million. House Bill 1769 does not provide the SCC any general fund dollars to fund initial startup activities. However, the bill does state that the SCC's obligation to perform these functions is contingent upon receiving federal funding sufficient to pay the operating expenses.

As House Bill 1769 is currently drafted, with no startup funds available, the SCC will be prevented from performing plan management functions. Thus, the SCC recommended to the patron that a budget amendment is necessary to provide the SCC with initial funding until such time as a stable source of funding is made available to the SCC to pay the operational costs for plan management functions.

The SCC anticipates the need for 13 additional positions in Fiscal Year 2014 to implement the provisions of House Bill 1769. Technology resources are limited to those set forth in subsection E of § 38.2-326 (lines 125-127 of House Bill 1769).

**9. Specific Agency or Political Subdivisions Affected:** State Corporation Commission and its Bureau of Insurance, and the Secretary of Health and Human Resources and VDH

**10. Technical Amendment Necessary:** Yes. The SCC advised the patron that the “sweep-in” statutes, beginning at line 132, should include § 38.2-326, as this statute will be relevant to health services plans, health maintenance organizations and dental and optometric services plans, §§ 38.2-4214, 38.2- 4319 and 38.2-4509, respectively. Also, because the premium rate review requirements are not applicable to dental service plans, § 38.2-316.1 should not be swept in to § 38.2-4509 (line 268).

**11. Other Comments:** The SCC requested the patron to consider the following amendments:

- Proposed subsection C of § 38.2-326 (line 117 of the introduced bill) stipulates that the SCC’s obligation to perform plan management functions is contingent upon its receipt of federal funding sufficient to pay the operating expenses necessary to carry out the plan management functions. Subsection D of § 38.2-326 (line 121) states that the SCC shall not use any special fund revenues dedicated to its other functions and duties to fund plan management functions. The SCC believes that federal funding, while available at this time, is dispensed after expenses have been incurred and is not available to fund “start-up” operations relating to plan management functions. Therefore, the lack of immediate funding for start-up costs associated with implementing plan management functions within the SCC will serve as an impediment to the SCC’s performance of plan management in accordance with § 38.2-326 A (iii). The SCC, therefore, recommended to the patron a budget amendment to provide the SCC with start-up revenues to perform plan management functions.
- The SCC also pointed out to the patron that the amendment to § 32.1-16 (line 24) requires VDH to assist in the establishment, operation and plan management functions of a federally facilitated health benefit exchange in Virginia. The bill, however, does not specifically require VDH to assist the SCC, nor does it specify the performance of certain functions by VDH, the absences of which will effectively serve as an impediment to the Commission’s performance of plan management in accordance with § 38.2-326 A (iii). The SCC recommended a clarifying amendment to this provision.

House Bill 1769 is identical to Senate Bill 922, introduced by Senator Watkins.

**Date:** 01/23/13/V. Tompkins

cc: Secretary of Commerce and Trade

Secretary of Health and Human Resources