

**\*\*\*REVISED\*\*\***  
**State Corporation Commission**  
**2013 Fiscal Impact Statement**

**1. Bill Number:** SB1084

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

**2. Patron:**        Herring

**3. Committee:** Commerce and Labor

**4. Title:**            Health insurance; authorizes SCC to establish state plan management partnership exchange.

**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 for a state plan management partnership exchange. 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 SCC to promulgate regulations to establish the applicable rate review requirements. Directs the SCC to contract with and enter into memoranda of understanding with the U.S. Department of Health and Human Services or any other state or federal agency as may be required in order to establish a state plan management partnership exchange for the Commonwealth. Adds § 38.2-326, which authorizes the performance by the SCC (with assistance from VDH) of plan management functions of a state plan management partnership exchange. Subsection C stipulates that the SCC's obligation to perform plan management functions is contingent upon receiving a general fund appropriation sufficient to pay the operating expenses necessary to carry out plan management functions. The SCC is required to seek full reimbursement from the U.S. Department of Health and Human Services for the expenses and to reimburse the general fund for the amount received. Subsection D prohibits the SCC from using any special fund revenues to fund plan management functions. Subsection E clarifies that technology resources used by the SCC 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.

**7a. Expenditure Impact:**

	<i>Dollars</i>		
<i>Fiscal Year</i>	<i>GF</i>	<i>NGF</i>	<i>Positions</i>
2012-13	\$400,000		5
2013-14	\$1,200,000	\$87,000	14.00
2014-15	\$1,200,000	\$84,500	14.00
2015-16	\$1,200,000	\$84,500	14.00
2016-17	\$1,200,000	\$84,500	14.00
2017-18	\$1,200,000	\$84,500	14.00

**7b. Revenue Impact:**

	<i>Dollars</i>		
<i>Fiscal Year</i>	<i>GF</i>	<i>NGF</i>	<i>Positions</i>
2012-13			
2013-14		\$87,000	0.00
2014-15		\$84,500	0.00
2015-16		\$84,500	0.00
2016-17		\$84,500	0.00
2017-18		\$84,500	0.00

**8. Fiscal Implications:** The SCC 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 SCC or fees paid to the Clerk's Office, to fund any of the activities or operating expenses of the Exchange. 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. SB 1084 provides that the SCC's obligation to perform these functions is contingent upon receiving a general fund appropriation sufficient to pay the SCC's annual operating expenses. SB 1084 required that the SCC seek full reimbursement from the U.S. Department of Health and Human Services for such expenses.

The SCC anticipates the need for 13 additional positions in Fiscal Year 2014 to implement the provisions of SB 1084. Technology resources provided by the SCC are limited to those set forth in subsection E of § 38.2-326 (lines 153-155 of SB 1084).

In addition, SB 1084 bill gives the SCC the authority to contract with VDH to undertake the certification of the Quality Health Plans (QHPs) participating in the SP exchange. Currently, there are currently 110 entities certified by the Virginia Department of Health (VDH) as managed care health insurance plans (MCHIPs).

VDH assumes that only the estimated 60 larger MCHIP entities will meet the more stringent certification requirements. Currently, VDH has two (2) VDH Medical Facilities Inspectors (MFIs) responsible for the certification and triennial onsite examination process for the existing 110 MCHIPs. VDH anticipates that certifying an additional 60 QHPs would necessitate a third MFI. According to VDH, the average annual salary for OLC Medical Facilities Inspectors (MFI) is approximately \$58,000, or \$75,400 with benefits. There would be one-time costs of \$2,500 for office equipment, and annual operating costs of approximately \$600 for training, \$8,000 for travel, and \$500 for communications and supplies. Total start up costs in FY2014 for VDH would be \$87,000, with annual costs of approximately \$84,500 in FY15, and thereafter.

SB 1084 permits VDH to utilize MCHIPs certification fees to "front-end" the costs for VDH's participation in the development and operation of the SP exchange. In FY14, VDH expects to be reimbursed for these expenditures from the federal Department of Health and Human Services (DHHS), under Section 1311(a) Exchange Establishment cooperative agreement funding. After section 1311(a) funds are no longer available, Virginia expects to receive continued funding from DHHS under the establishment of a separate federal funding vehicle in FY15, and beyond.

**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:** The SCC Bureau of Insurance offered the patron of SB 1084 the technical suggestion that the "sweep-in" statutes, beginning at line 160 of the bill, 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 296 of SB 1084).

**11. Other Comments:** The SCC Bureau of Insurance offered the patron additional comments as follows:

To ensure that the plan management functions are clearly defined, the Bureau suggested the following changes to § 38.2-326 B (beginning at line 132):

*B. The Commission, with the assistance of the Virginia Department of Health, shall perform ~~any~~ plan management functions ~~for~~ to support a state plan management partnership exchange established pursuant to subsection A, provided that ~~The Commission's performance of plan management functions shall be consistent with guidelines developed by the Secretary of the U.S. Department of Health and Human Services providing for the support of a state plan management partnership exchange for the Commonwealth. The Commission's obligation to perform such functions shall be subject to:~~ (i) ~~the availability of full funding~~ is available; (ii) ~~the availability of~~ technology infrastructure, including integration with federal, state, and other necessary entities, is made available to the Commission by or through the U.S. Department of Health and Human Services or the Virginia Secretary of Health and Human Resources in order for it to carry out the plan management functions authorized in this section; and (iii) ~~the absence of~~ there are no other impediments that effectively prevent the Commission from performing any required plan management functions. For purposes of this section, "plan management functions" means analyses and reviews necessary to support the certification, decertification, and recertification of qualified health plans for the state plan management partnership exchange.*

The Bureau in its comments also noted that the amendment to § 32.1-16 (beginning at line 25) requires the Virginia Department of Health (VDH) to assist in the establishment, operation and plan management functions of a state plan management partnership exchange in Virginia. However, while SB 1084 requires VDH's assistance, it does not specifically require VDH to

assist the SCC, nor does it specify the performance of certain functions by VDH, the absence of which will effectively serve as an impediment to the Commission's performance of plan management under § 38.2-326 B (iii).

The Bureau also pointed out the deadline of February 15, 2013, for any state's Governor to notify the U.S. Department of Health and Human Services that the state will be pursuing a state plan management partnership exchange. Absent such notification, SB 1084 does not authorize the Bureau of Insurance to perform plan management functions.

SB 1084 is identical to House Bill 1664. On January 28, 2013, the Senate Commerce & Labor Committee rolled SB 1084 into Senate Bill 922, which Committee passed with a vote of 14 to 1.

**Date:** 02/07/13/V. Tompkins

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