

State Corporation Commission

2020 Fiscal Impact Statement

1. Bill Number: SB598

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

2. Patron: Hanger

3. Committee: Commerce and Labor

4. Title: Virginia Health Benefit Exchange.

5. Summary: Creates the Virginia Health Benefit Exchange, which will be established and operated by a new division within the State Corporation Commission (SCC). The Exchange shall facilitate the purchase and sale of qualified health plans and qualified dental plans to qualified individuals and qualified employers. The Exchange shall make qualified plans available to qualified individuals and qualified employers by July 1, 2023, unless the SCC postpones this date. The measure authorizes the SCC to review and approve accident and sickness insurance premium rates applicable to health benefit plans in the individual and small group markets and health benefit plans providing health insurance coverage in the individual market through certain non-employer group plans. The Exchange will be funded by assessments on health insurers offering plans in the Exchange. A health plan will not be required to cover any state-mandated health benefit if federal law does not require it to be covered as part of the essential benefits package. The essential health benefits are items and services included in the benchmark health insurance plan, which is the largest plan in the largest product in the Commonwealth's small group market as supplemented in order to provide coverage for the items and services within the statutory essential health benefits categories. The SCC may contract with other eligible entities and enter into memoranda of understanding with other agencies of the Commonwealth to carry out any of the functions of the Exchange, including agreements with other states or federal agencies to perform joint administrative functions. Such contracts are not subject to the Virginia Public Procurement Act (§ 2.2-4300 et seq.). The measure repeals a provision enacted in 2013 that prohibits an agent, employee, officer, or agency of the Commonwealth from taking any action to establish a health benefit exchange.

6. Budget Amendment Necessary: Yes. Neither House Bill 29/Senate Bill 29 nor House Bill 30/Senate Bill 30 provide a specific estimate of start-up costs which are expected to be significant. House Bill 30/Senate Bill 30 do give the State Corporation Commission the authority to apply for a treasury loan, but such authority presumably will not become effective until after the start of the next biennium (July 1, 2020). The proposed language for Item 481 found in House Bill 29/Senate Bill 29 is very problematic. We suggest amending House Bill 29/Senate Bill 29 as follows:

Item 481 (page 211), Line 16, B: Strike “existing nongeneral fund cash balances” and insert “any unused funds appropriated for plan management functions ...”

7. Fiscal Impact Estimates: Fiscal impact estimates are preliminary. The proposed biennium budget includes a non-general appropriation for the State Corporation Commission to operate the on-going operation of the Exchange in the amount of \$13,500,000 for Fiscal Year 2021 and \$41,500,000 for Fiscal Year 2022. This appropriation only authorizes a specific amount for ongoing operations after the Exchange has begun to generate income from assessments. Although some authority is provided in Item 487, which authorizes an interest-free treasury loan for start-up costs, a specific amount for such costs is not provided.

8. Fiscal Implications: The Virginia Health Benefit Exchange (Exchange) would be created as a division of the State Corporation Commission and be funded by assessments on health insurers. The Commission may contract with appropriate entities to perform some of the administrative functions of the Exchange.

Estimated expenses for costs associated with the Exchange were based on a high-level analysis of the budget of the estimated budget of the Pennsylvania State Based Exchange. Virginia's Exchange would use the federal platform for its first year and transition to its own website and platform in the second year of operation for functions including shopping, enrollment and eligibility determinations.

Revenue estimates are based on the 2018 market enrollment and premiums, adjusted for anticipated enrollment changes. The revenue estimate assumes that the Exchange will receive .5% of premiums assessed of health insurers in its first year while the Exchange makes use of the federal platform, and 3% of premiums in its second year when the Exchange transitions to its own website and platform.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission

10. Technical Amendment Necessary: No

11. Other Comments: Five bills creating an Exchange were introduced in the 2020 Session, including Senate Bill 598. Delegate Sickles has stricken House Bill 1018, which is identical to Senate Bill 598.

There are also two other identical bills that also create an Exchange, Senate Bill 732 and House Bill 1428. All three Senate versions are before the Health Subcommittee of Senate Commerce and Labor.

Date: 1/16/20/V.Tompkins