

# State Corporation Commission

## 2020 Fiscal Impact Statement

**1. Bill Number:** SB732

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

**2. Patron:** McClellan

**3. Committee:** Passed Both Houses

**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 requires the Department of Taxation to include on the appropriate individual tax return forms a checkoff box or similar mechanism for indicating whether the individual, or spouse in the case of a married taxpayer filing jointly, (i) is an uninsured individual at the time the return is filed and (ii) voluntarily consents to the Department of Taxation providing the individual's tax information to the Department of Medical Assistance Services for purposes of determining the uninsured individual, spouse or dependent's eligibility for medical assistance. The bill is effective for individual income tax returns filed for Taxable Year 2021. Finally, the measure requires the Secretary of Health and Human Resources to convene a work group that includes representatives from the SCC, the Department of Medical Assistance Services, the Department of Social Services, and the Department of Taxation to develop systems, policies, and practices to leverage state income tax returns to facilitate the enrollment of eligible individuals in insurance affordability programs through the Virginia Health Benefit Exchange established in this measure. The Secretary shall report the work group's recommendations to the Governor and the General Assembly by September 15, 2020.

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

**7. Fiscal Impact Estimates:** Fiscal impact estimates are preliminary. See Item 8.

**7a. Expenditure Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|-------------|
| 2020               | \$350,000      | 0                | NGF         |
| 2021               | \$8,220,000    | 10               | NGF         |
| 2022               | \$13,249,000   | 20               | NGF         |
| 2023               | \$44,208,270   | 20               | NGF         |
| 2024               | \$42,667,818   | 0                | NGF         |
| 2025               | TBD            |                  |             |
| 2026               | TBD            |                  |             |

## 7b. Revenue Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|-------------|
| 2020               | \$0            |                  |             |
| 2021               | \$2,913,770    |                  | NGF         |
| 2022               | \$8,452,848    |                  | NGF         |
| 2023               | \$21,947,505   |                  | NGF         |
| 2024               | \$51,092,487   |                  | NGF         |
| 2025               | TBD            |                  |             |
| 2026               | TBD            |                  |             |

According to the Virginia Department of Taxation, “this bill would not have a direct impact on General Fund revenues.”

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

Virginia’s Exchange would use the federal platform for its first year and second year and transition to its own website and platform in the third year of operation for functions including shopping, enrollment and eligibility determinations.

The Commission’s administrative staff costs are allocated equitably to each regulatory division based on the Commission’s allocation formula, which is updated annually. Tyler Building facility costs that are allocated to each division based on the amount of square footage the division has. The Commission has estimated that the new State-Based Exchange division will be allocated approximately 6% of the administrative staff and facility costs of the Commission once the division is fully functional.

Revenue estimates are based on the 2020 approved premiums and the carriers’ enrollment estimates. The revenue estimate assumes that the Exchange will receive .5% of premiums assessed of health insurers in its first and second years while the Exchange makes use of the federal platform, and 3% of premiums in its third year when the Exchange transitions to its own website and platform. Revenue estimates are based on trends which project an average 6% increase in premiums beginning in 2022. Assumptions around changes in premium and membership have not been estimated beyond FY 2024.

According to the Virginia Department of Taxation, Senate Bill 732 is “routine and does not require additional funding” as to Administrative Costs. Further, “this bill would not have a direct impact on General Fund revenues.”

- 9. Specific Agency or Political Subdivisions Affected:** State Corporation Commission, Department of Taxation
- 10. Technical Amendment Necessary:** See Item 11. According to the Virginia Department of Taxation, House Bill 1428, as currently drafted, would require the Department to include a checkoff box or similar mechanism to indicate, among other things, whether:

- Any of the taxpayer's dependents are uninsured individuals; and
- The taxpayer consents to the Department providing certain information reported on their Virginia income tax return to DMAS for purposes of determining whether any of the taxpayer's dependents meet the income eligibility for medical assistance.

Virginia income tax returns do not contain information regarding the income of dependents. The only dependent information that taxpayers include on their Virginia income tax returns is the number of dependents that they are claiming. Therefore, the information derived from the Virginia income tax return of a taxpayer would not be sufficient to determine the eligibility of dependents for medical assistance. For these reasons, the Department of Taxation suggests the following technical amendments:

- Lines 987-988 after in the case of a married taxpayer filing jointly  
Strike: or any dependent of the individual
- Line 991 after affirming that  
Strike: the individual, the individual's spouse, or any dependent of the individual  
Insert: the individual or the individual's spouse

**11. Other Comments:** The State Corporation Commission has worked with stakeholders on all versions of Senate Bill 732. House Bill 1428 S 2 is identical to Senate Bill 732 H 3.

The Virginia Department of Taxation offers the following comments for Item #11:

#### Current Law

Unless an exception applies, the Tax Commissioner, commissioner of the revenue, treasurer, and their staff may not divulge any information acquired in the performance of their duties with respect to the transactions, property, including personal property, income or business of any person, firm or corporation ("confidential tax information"). It is also unlawful for any person to disseminate any confidential tax document which he knows or has reason to know is a confidential tax document. Any person who violates these provisions is guilty of a Class 1 misdemeanor.

#### Proposed Legislation

This bill would require the Department of Taxation to include on individual income tax returns a checkoff box or similar mechanism for indicating whether the individual or spouse in the case of a married taxpayer filing jointly:

- Is an uninsured individual at the time the return is filed; and
- Consents to the Department providing certain taxpayer information to the Department of Medical Assistance Services ("DMAS") for purposes of determining the uninsured individual's or spouse's eligibility for medical assistance.

If the individual, or spouse in the case of a married taxpayer filing jointly, voluntarily consents, Taxation would be authorized to disclose the individual's or spouse's:

- Name;
- Address;
- Social Security number;
- Number and type of personal exemptions;
- Tax-filing status; and
- Adjusted gross income.

Taxation would only be authorized to disclose such information to DMAS upon entering a written agreement with the agency regarding the disclosure of taxpayer information.

The bill would require the Secretary of Health and Human Resources to convene a work group that includes representatives from the State Corporation Commission, DMAS, the Department of Social Services, and the Department to develop systems, policies, and practices to leverage state income tax returns to facilitate the enrollment of eligible individuals in insurance affordability programs through the Virginia Health Benefit Exchange established by this bill. The Secretary would be required to report the work group's recommendations to the Governor and the General Assembly by September 15, 2020.

This bill would be effective for individual income tax returns filed for Taxable Year 2021.

**Date:** 3/6/20/V.Tompkins