



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 207** SLS 12RS 573
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: April 11, 2012 8:22 AM	Author: MORRISH
Dept./Agy.: Louisiana Department of Insurance	
Subject: Provides for review of health coverage premium rates	Analyst: Alan M. Boxberger

HEALTH/ACC INSURANCE OR INCREASE SG EX See Note Page 1 of 2
Provides for review of health coverage premium rates. (see Act)

Proposed law requires a health insurance issuer to file information related to any proposed increase in base premium to the commissioner of insurance; requires the issuer to file a justification for each product affected no later than 120 days before the anticipated effective date; requires three separate parts in the justification; requires the commissioner to ensure that the information received be made available to the public on the department’s website; requires the commissioner to evaluate the proposed rate increase within 45 days of receipt; provides information that the commissioner’s review shall include as well as the criteria to be used to determine whether a rate increase is excessive, unjustified, or unfairly discriminatory; requires the commissioner to provide a reasonable means to receive and consider public input; prohibits the commissioner from releasing information deemed confidential by the insurer; requires the issuer to notify the commissioner whether it intends to utilize the proposed rate increase or to re-file within 15 days of receipt of determination by the commissioner; and provides that the proposed law shall be null and void if Section 2794 of the Public Health Service Act is repealed by congress.

EXPENDITURES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$476,679	\$413,358	\$424,100	\$435,272	\$446,891	\$2,196,300
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total		\$413,358	\$424,100	\$435,272	\$446,891	\$1,719,621

REVENUES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

The proposed law will have a direct fiscal impact on the Louisiana Department of Insurance (LDI). The proposed law requires a health insurance issuer to file information related to any proposed increase in base premium to the commissioner of insurance for evaluation no later than 120 days before the anticipated effective date. Within 45 days of rate filing, the LDI will be responsible for evaluating the rate increase and making an actuarial determination whether the rate increase is reasonable or not and to notify the issuer of such determination.

In 2010, there were 93 health insurance companies that reported premiums subject to an assessment as per the federal Health Insurance Portability and Accountability Act (HIPAA). Of these companies, premium changes impacted approximately 900 different health or major medical products. The requirements of the proposed law will cause an increase in workload for reviewing rate increases within LDI’s Office of Health Insurance within the Market Compliance Program. LDI indicates it will require four additional positions, one (1) insurance supervisor, two (2) insurance specialist III positions, and one (1) insurance technician II. Additionally, LDI will require a professional services contract for an actuary to perform necessary reviews of proposed rate changes based on actuarial principles. LDI will also require a \$50,000 information technology contract to redesign its website to facilitate public notice of rate reviews and allow for public feedback.

NOTE: LDI is currently managing a premium rate review through a federal grant from the Department of Health and Human Services, Center for Medicaid and Medicare Services, Office of Consumer Information and Insurance Oversight. The \$1 million grant started August 9, 2010 and ended September 30, 2011. However, LDI was awarded an extension through September 30, 2012. The grant balance as of February 29, 2012 was \$376,219. The proposed law is effective thirty days after a final, non-appealable judgment by the United State Supreme Court that includes the merits of the provisions of Section 2794 of the Public Health Service Act and that affirms the validity of such provisions, together with any and all federal regulations promulgated in accordance therewith by any federal agency. The proposed law shall be null and void immediately upon congressional repeal of Section 2794 of the Public Health Service Act. Because the effective date of the

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REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. LDI currently generates SGR in excess of its operating budget authority and this amount is included as SGF revenue by the Revenue Estimating Conference (REC). The excess reverting to the SGF exceeds the amount necessary for the expenditures required under the proposed law. LDI could absorb the costs incurred by the proposed law with existing revenues but would require additional SGR budget authority in HB 1. This would, in effect, reduce the SGF estimate by the REC on a dollar for dollar basis.

Senate	Dual Referral Rules	House	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	<i>Evan Brasseaux</i>
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	Evan Brasseaux Staff Director



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CONTINUED EXPLANATION from page one: Page 2 of 2
proposed law may not occur until after the deadline for the next grant application, LDI doubts that it would qualify for additional federal funds unless granted an additional waiver for existing funds under the current grant or granted an extension of the application deadline. To the degree that federal funds may be available for this activity, the impact on SGF could be lessened or eliminated. The LFO is unable to estimate this likelihood.

Operating Budget Impact

EXPENDITURES	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
SALARIES	\$169,596	\$176,380	\$183,435	\$190,772	\$198,403
OTHER COMPENSATION	\$0	\$0	\$0	\$0	\$0
RELATED BENEFITS	\$88,629	\$92,174	\$95,861	\$99,696	\$103,683
TRAVEL	\$0	\$0	\$0	\$0	\$0
OPERATING SERVICES	\$28,404	\$28,404	\$28,404	\$28,404	\$28,404
SUPPLIES	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
PROFESSIONAL SERVICES	\$164,400	\$114,400	\$114,400	\$114,400	\$114,400
OTHER CHARGES	\$0	\$0	\$0	\$0	\$0
ACQUISITIONS	\$23,650	\$0	\$0	\$0	\$0
IAT	\$0	\$0	\$0	\$0	\$0
TOTAL	\$476,679	\$413,358	\$424,100	\$435,272	\$446,891
T.O.	4	4	4	4	4

The operating budget impact assumes the addition of four (4) positions as noted on the previous page and adjusts personal services expenditures by 4% in each year after the first to account for the possibility of merit increases.

The operating services category includes costs such as building maintenance, postage, telephone service, printing, and other statewide costs associated with employee operations. The supplies category provide office supplies for four employees. The professional services and acquisitions categories include one time expenditures of \$50,000 and \$23,650 respectively in FY 13. The professional services expenditures include computer programming for website redesign (one time) of \$50,000 and \$114,400 for actuary services. The acquisitions expenditures provide for office and computer equipment for additional employees required by the proposed law.



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Senate

Dual Referral Rules

House

- ☒ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
- ☐ 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}
- ☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
- ☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Staff Director