

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 744** SLS 12RS 1774

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 24, 2012 5:16 PM	<b>Author:</b> PETERSON
<b>Dept./Agy.:</b> Louisiana Department of Insurance/Health and Hospitals	<b>Analyst:</b> Alan M. Boxberger
<b>Subject:</b> Creates the Louisiana Health Insurance Exchange	

HEALTH/ACC INSURANCE OR INCREASE GF EX See Note Page 1 of 1  
Creates the Louisiana Health Insurance Exchange. (gov sig)

Proposed law provides for the establishment of the Louisiana Health Insurance Exchange to facilitate the purchase and sale of qualified health plans in the individual market and for the establishment of a Small Employer Insurance Exchange to assist qualified small employers in facilitating enrollment of their employees in qualified health plans; provides for definitions; provides to establish the La Health Insurance Exchange as a nonprofit corporation; provides with respect to supervision by, and approval of, a board of directors to be comprised of 19 members as provided for and identified in proposed law; provides for frequency of board meetings and rule adoption and promulgation and a timeline for each; provides that the board may apply for and expend any state, federal or private grant funds available to implement and operate the exchange; provides with respect to right to contract for services; provides for appointment of an executive director and authorizes determination of an appropriate compensation package; provides with regard to certain operational requirements; provides certain restrictions; provides for financial accounting practices; and provides for circumstance of repeal.

<b>EXPENDITURES</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

  

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

**EXPENDITURE EXPLANATION**

The proposed law and subsequent creation of the Louisiana Health Insurance Exchange may create an indeterminable increase in state expenditures. The proposed law authorizes and establishes the Louisiana Health Insurance Exchange and provides for creation of a nonprofit corporation and board of directors comprised of 19 members. The legislation grants broad power and authority to the board and exchange to facilitate the purchase and sale of qualified health plans and to assist small employers to enroll employees in qualified health plans in the small group market. The legislation is not specific with regard to the structure of the exchange and thus expenditure levels are unknown until the created board defines and establishes the parameters of the exchange and its operation.

Expenditure levels associated with the establishment and operation of the exchange are speculative and depend on a vast array of variables with regard to decisions made by the proposed board in establishing the exchange. Some of the known exposures for the state include: significant information technology efforts to interface the state's exchange with the Centers for Medicare & Medicaid Services (CMS) and creation and maintenance of the exchange's internet website and portal; administrative costs for determining eligibility for utilization of the exchange; and development costs in establishing the structure of the exchange. The board is empowered to contract with any and all vendors necessary to assist with the implementation and operation of the exchange.

To the degree that state employees currently purchasing insurance policies through the Office of Group Benefits should decide to drop out of the state plan and acquire coverage through the health exchange, state expenditures would decrease proportionally.

**REVENUE EXPLANATION**

The proposed law will result in a significant but indeterminable increase in revenues. According to the Department of Health and Hospitals, development costs for health insurance exchanges nationally have been funded largely, if not wholly, through federal direct appropriations or federal grants. The exchange will be authorized to generate revenue for its operations by charging assessments or user fees to health insurance carriers, agents or brokers offering qualified health plans or qualified dental plans. DHH projects that the exchange will not start receiving SGR through assessments and fees until FY 14. The exchange may receive appropriations from the legislature, federal or state grant monies, or other contributions from any source.

The proposed law stipulates that the exchange shall be self-sustaining by January 1, 2015, including revenues from all sources self-generated through fees, assessments and premium payments as well as federal subsidies to individual policyholders.

To the degree that state employees currently purchasing insurance policies through the Office of Group Benefits should decide to drop out of the state plan and acquire coverage through the health exchange, state revenues would decrease proportionally.

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