

3/10/11

PREPARED BY: Sandy Sostad
DATE PREPARED: February 08, 2011
PHONE: 471-0054

LB 422

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(See Below)		(See Below)
CASH FUNDS				
FEDERAL FUNDS				
DISTRIBUTIVE FUND		(\$798,000)		(\$798,000)
TOTAL FUNDS				

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 422 changes the eligibility for the Comprehensive Health Insurance Pool (CHIP). The bill allows individuals who have elected and have exhausted coverage under short-term health insurance plans in certain instances to be eligible for CHIP coverage immediately after their coverage is exhausted. All waiting periods and pre-existing conditions are waived. The bill also may delay entrance into CHIP for certain individuals who use short term health insurance coverage to provide evidence of coverage.

Using information provided by the administrator of the Comprehensive Health Insurance Pool (CHIP) for 2010-11, the Department of Insurance estimates the net fiscal impact of the bill would have been increased expenditures for the health care plan of \$798,000 in the current year, if the bill had been in effect.

The administrator indicates there were 380 CHIP enrollees in 2010 who could have been impacted by the bill. About 90%, or 342 individuals, could have entered CHIP six months earlier without a six month preexisting exclusion period due to the option to use short term health insurance in lieu of COBRA coverage. The estimated increased claims expenditures for six months of coverage would be \$1,026,000 (342 persons x \$500/month expenditure x 6 months).

The increased cost will be offset somewhat by a savings for individuals who are not offered COBRA, use the short term insurance option as a cheaper alternative, and enter the program 12 months later. The CHIP administrator estimates about 10% of the 380 enrollees in 2010 impacted by the bill would fall under this scenario. The estimated savings due to delayed entry is \$228,000 (38 persons x \$500/month expenditure x 12 months).

So, the estimated net fiscal impact of the bill for the CHIP Distributive Fund is \$798,000 of increased expenditures. Increased expenditures by the CHIP Distributive Fund reduce the amount of premium tax revenue that is annually distributed to the state and political subdivisions, assuming premiums are not increased for policyholders due to premium rate guidelines established by statute.

Currently, premium tax proceeds are allocated to the General Fund (40%), Municipal Finance Assistance Fund (10%) and the Insurance Tax Fund (50%). The Insurance Tax Fund is allocated to schools (60%), municipalities (30%) and counties (10%). Any loss of revenue for school districts decreases resources for state aid purposes which increases state aid by a like amount two years later. The estimated fiscal impact of the bill in terms of increased expenses for CHIP will result in a loss in revenue for the following entities:

	Premium	Est. Fiscal
	Tax %	Impact
General Fund	40%	319,200
Mutual Assistance Fund	10%	79,800
Insurance Tax Fund:		
Schools	30%	239,400
Cities	15%	119,700
Counties	5%	39,900
Total Allocation	100%	798,000

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	2/1/11	PHONE 471-2526
COMMENTS DEPT. OF INSURANCE – Agency's estimate of impact appears to be reasonable.			

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Please complete ALL (5) blanks in the first three lines.

FEB 9 2011

LB⁽¹⁾ 422 FISCAL NOTE

LEGISLATIVE FISCAL

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Insurance

Prepared by: ⁽³⁾ Eric Dunning Date Prepared: ⁽⁴⁾ 01/25/11 Phone: ⁽⁵⁾ 471-4650

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2010-2011		FY 2011-2012	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	<u>\$798,000</u>	_____	<u>\$798,000</u>	_____

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

Based upon information provided to the Department of Insurance by the Administrator, LB 422 has an increased expenditure fiscal impact to the Comprehensive Health Insurance Pool ("CHIP") distributive fund of \$216,000 in FY 2010-2011. This estimate is based on the most recent enrollment data from 2010. In 2010, there were 380 enrollees who entered CHIP immediately following their COBRA termination or entered immediately after their group coverage terminated because they were not eligible for COBRA. The administrator estimates 90% of these elected and exhausted COBRA and 10% were not eligible for COBRA. On average, the administrator would expect such persons to experience \$500 per member per month in claims.

Pursuant to Neb. Rev. Stat. § 77-912, the distribution of premium taxes paid by insurers which is otherwise not used the CHIP Distributive Fund is 40% to the General Fund, 10% to the Mutual Assistance Fund for legislative appropriation, and 50% to the Insurance Tax Fund. Of the Insurance Tax Fund, the distribution is 10% to counties, 30% to the Municipal Equalization Fund, and 60% distributed under TEEOSA. The following table shows the breakdown of the distribution of the premium taxes.

General Fund	40%	319,200
MFA	10%	79,800
County	5%	39,900
Muni	15%	119,700
TEEOSA	30%	239,400
Total	100%	\$798,000

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2011-2012 EXPENDITURES	2012-2013 EXPENDITURES
	11-12	12-13		
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____