OHIO LEGISLATIVE SERVICE COMMISSION

Ruhaiza Ridzwan

Fiscal Note & Local Impact Statement

Bill: H.B. 450 of the 132nd G.A. (L_132_1097-6)

Status: In House Government Accountability and Oversight

Sponsor: Rep. Antani

Local Impact Statement Procedure Required: No

Subject: To impose review and other requirements on existing health insurance mandated benefits and to establish requirements for the creation of new mandated benefits

State & Local Fiscal Highlights

- The Department of Insurance's administrative costs would increase due to the requirements of conducting actuarial studies and producing mandated benefit reports under the bill. The Department's costs would be paid from the Department of Insurance Operating Fund (Fund 5540).
- The costs of each actuarial study would likely be in the hundreds of thousands of dollars. Studies are to be published every five years, meaning the cost would not be an annual cost. The first such study is due no later than January 1, 2024.
- The bill would require the Department of Health to provide administrative support for the Health Care Mandated Benefits Review Committee, established by the bill, which would increase the Department's administrative costs. The bill does not specify whether members of the Committee are to receive compensation or reimbursement of expenses. The Department's costs would be paid from the Central Support Indirect Costs Fund (Fund 2110) and various GRF line items.
- The bill would require the Legislative Service Commission to prepare a mandate analysis for any bill containing a mandated benefit that is introduced in the General Assembly. A required part of the analysis is a determination of whether the mandated benefit has increased premium costs in other states. Due primarily to this required component of the analysis, administrative costs of the Commission would likely increase. The Commission's costs would be paid from the GRF.
- The bill will have no direct fiscal effect on any of the state's political subdivisions.

Detailed Fiscal Analysis

Actuarial study and report on existing mandated benefits

The bill modifies the existing requirement that the Superintendent of Insurance must conduct an actuarial study on the costs of all health care mandates enacted in state law. Under existing law, the study requirement applies to mandated benefits imposed on all group and individual health benefit plans not subject to federal law. The bill requires the Superintendent to conduct an actuarial study on the costs of all health care mandated benefits,[1] including calculation of the costs of mandated benefits in actual dollars and as a percentage of total health care premiums paid by any purchaser of any individual or group health benefit plan. The first required study would be due by January 1, 2024, with subsequent studies required every five years thereafter. Under existing law, the study must be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives. In addition to the existing distribution requirement, the bill requires that the Superintendent make a copy of the most recent study available to the public on the Department of Insurance's website. The bill also requires the Superintendent to compile and make available to the public on the Department of Insurance's website a list of all health care mandated benefits contained in the Revised Code. The list must be updated at least once a year.

The bill requires that health benefit plans, including potentially Medicaid managed care plans, disclose certain information regarding health care mandated benefits to plan members in their premium invoices and statements.

Health Care Mandated Benefits Review Committee

The bill creates the seven-member Health Care Mandated Benefits Review Committee to regularly review all existing health care mandated benefits, and to make recommendations regarding the repeal of any of the individual mandates. Committee members would be appointed by the Director of Health. The bill specifies that all members of the Committee must be actively practicing, licensed physicians who are experts in evidence-based medicine. The bill requires the Director to furnish clerical, technical, legal, and other services required by the Committee in the performance of its duties. The bill requires the Director to adopt any necessary rules to carry out the requirements related to the Committee. The bill requires the Committee to produce a report of its findings, and submit the report electronically to the Governor, the President of the Senate, the Speaker of the House, and the Superintendent of Insurance. The first report would be due within two years; subsequent reports would be required every seven years thereafter.

New mandated benefits

The bill would place certain preconditions[2] on the enactment of any new mandated benefits, and would require the Department of Insurance to complete a

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[1] "Mandated benefit" does not include any coverage required under federal law, such as under Medicaid or the Federal Employees Health Benefits Program.

[2] The preconditions are listed in section 101.88 of the bill, and include, for example, that (1) the mandate apply to Medicaid, (2) it is determined that the mandated benefit has not increased premium costs in other states that may have enacted a substantially similar mandated benefit, and (3) medical care price inflation as measured by the relevant component of the consumer price index (CPI) has been no greater than overall price inflation as measured by the CPI during the preceding year.

report for every bill considered by the General Assembly that contains a health care mandated benefit. The report must identify which market segments the bill would apply to, along with an approximate number and percentage of Ohioans that would be covered by the proposed mandated benefit by market segment. The report must be delivered to the chairperson and ranking minority member of any legislative committee to which the bill was referred. The bill requires the Superintendent to adopt any necessary rules to carry out the bill's requirements. The bill specifies that if a proposed health care mandated benefit requires a benefit in addition to the essential health benefits specified under the federal Patient Protection and Affordable Care Act of 2010 (PPACA), the state must assume the cost of the mandated benefit as required under the federal PPACA.

The bill requires the Legislative Service Commission (LSC) to prepare a mandate analysis of any bill containing a mandated benefit that is introduced in the General Assembly. The mandate analysis is to be completed prior to both of the following: (1) the bill being recommended for passage by the House or Senate committee to which it was referred, or (2) the bill being taken up for final consideration by either house of the General Assembly. The bill requires a mandate analysis to include five components, including inputs produced by others (e.g., a copy of the Department of Insurance report described above), and a determination whether the mandated benefit has increased premium costs in other states.

Fiscal effect

The bill would increase the Department of Insurance's administrative costs due to the requirements to conduct actuarial studies and produce reports. The magnitude of the increase in costs is undetermined, but would likely be in the hundreds of thousands of dollars, though it might be spread over multiple fiscal years (see explanation in the following paragraph). Department of Insurance costs are generally paid from the Department of Insurance Operating Fund (Fund 5540). The bill does not make or increase any appropriations.

The primary cost to the Department of Insurance would be associated with the actuarial studies. LSC has experience with commissioning such studies to evaluate proposed health benefit mandates. Sub. H.B. 221 of the 123rd General Assembly required LSC to commission such studies, under specified conditions, for bills proposing health care mandates. Several such studies were commissioned during 2001. The cost of each study was several tens of thousands of dollars, with one costing nearly $120,000.[3] Presumably an actuarial study that analyzed the costs of all mandated health benefits would be at least as large as the costs of a study to analyze the costs of a single

[3] One study cost less than $2,000, but it was for a companion bill to another bill for which a study that cost nearly $120,000 was done.

mandated benefit. The first study would be due January 1, 2024,[4] so the cost of the study would not be an annual cost, and might be spread over five years.

The bill will also increase LSC's staff workload due to the requirement that the Commission must prepare a mandate analysis for any mandated benefit bill. Among other things, the analysis must include a determination whether a substantially similar mandated benefit has increased premium costs in other states. LSC staff will likely need to survey other states for such a determination, which could require a considerable amount of time for each bill. An increase in staff workload may not affect the LSC budget if the legislative hearing schedules for such bills allowed sufficient time for the required research. A sufficient number of such bills paired with relatively short hearing schedules, though, could make it necessary for LSC to hire an additional budget analyst to meet the required deadlines. The current salary for an entry level LSC budget analyst is about $54,000 plus fringe benefits. LSC operations are funded with the GRF.

The bill may increase the Department of Health's administrative costs due to the required administrative supports for the Health Care Mandated Benefits Review Committee. The Department's costs would be paid from the Central Support Indirect Costs Fund (Fund 2110) and various GRF line items. The bill does not specify whether the members of the Committee would be compensated or reimbursed for expenses incurred in the performance of their duties.

The bill would increase state expenditures in the future if the state enacted a new mandated benefit that requires a benefit in addition to the essential health benefits specified under the federal PPACA. Any such increase would depend on whether the General Assembly enacted such mandated benefits in the future.

The bill will have no direct fiscal effect on any of the state's political subdivisions.

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[4] Section 3901.882 of the bill requires certain information included in this report to be provided to consumers beginning no later than April 6, 2019, which represents an apparent inconsistency between these two bill requirements.