



## Fiscal Estimate Narratives

DHFS 2/6/2006

LRB Number	05-2569/2	Introduction Number	AB-862	Estimate Type	Original
<b>Description</b> Self-funded employer groups for providing health care coverage					

### Assumptions Used in Arriving at Fiscal Estimate

Assembly Bill 862 authorizes and specifies guidelines for the formation of up to five employer groups, each for the purpose of establishing and administering a health care benefit arrangement for providing, on a self funded basis, health care benefits to employees of the employers that participate in each employer group.

The fiscal impact of Assembly Bill 816 on the Department of Health and Family Services is indeterminate. To the extent that this proposal makes it more financially feasible for employers to offer comprehensive health insurance, this proposal may increase access to employer sponsored health insurance. This could potentially reduce Medicaid costs by providing health insurance to individuals currently enrolled in Medicaid. In addition, there may be an indirect effect on Medicaid if access to employer sponsored health insurance expands access to health care for persons who would eventually become eligible for Medicaid as their health care costs increase. Improving access to health insurance may help to improve health outcomes for the individual and delay the date that the individual applies for Medicaid. However, it is unknown how many employers would participate in these self funded groups and if this proposal would generate additional insurance coverage for current or potentially eligible Medicaid and BadgerCare recipients.

This proposal could also impact funding for the Health Insurance Risk Sharing Pool (HIRSP). The Health Insurance Risk-Sharing Plan (HIRSP) provides major medical health insurance coverage to Wisconsin residents who are either unable to find adequate health insurance coverage in the private market due to their medical conditions or have lost their employer-sponsored group health insurance. HIRSP is funded through provider payment discounts, policyholder premiums, and insurer assessments. To the extent this proposal provides coverage for individuals who had to obtain coverage through HIRSP, this proposal would reduce HIRSP costs.

In addition, this proposal could redistribute the HIRSP insurance assessment among insurers. Currently, the total required HIRSP insurance assessment is shared among insurers proportionally to the amount of insurance premium revenues collected. Since self-funded insurers receive no premium revenue for providing their employees coverage, they do not have a HIRSP assessment and do not contribute towards the costs of the HIRSP program. Therefore, if this proposal moves individuals from insurance based on premiums revenues to self funded plans, this proposal will reduce the HIRSP insurer assessment base. However, Assembly Bill 862 also requires self funded plans to purchase stop loss insurance coverage for claims above \$50,000, and the HIRSP assessment includes premium revenues from stop loss insurance. As a result, this proposal may increase stop loss premium revenue and therefore increase the assessment base. The net effect of these two redistributive factors is unknown.

### Long-Range Fiscal Implications