



## Fiscal Estimate Narratives

OCI 6/23/2006

LRB Number	<b>05-4864/1</b>	Introduction Number	<b>SB-698</b>	Estimate Type	<b>Original</b>
<b>Description</b> Creating a health care plan to cover all individuals employed in the state, requiring every employer in the state to pay an assessment for the costs of the health care plan, creating a Wisconsin Health Care Plan Board, requesting waivers of federal law, requiring the exercise of rule-making authority, and making appropriations					

### Assumptions Used in Arriving at Fiscal Estimate

SB 698 creates the Wisconsin Health Care Plan Board (Board) and attaches the board to OCI. The Board is required to develop and administer the Wisconsin Health Care Plan (WHCP). The Plan is required to begin coverage 12 months after the bill becomes effective. The intent of the Plan is to be a self-sustaining insurance policy that is subject to the provisions of chs. 600 to 646 as they apply to group or blanket disability insurance policies. The Board will determine employer assessments, employee cost sharing, other individual buy-in premiums, federal funding, covered benefits, provider payment rates and prescription drug discounts that will enable the plan to match revenues with expenditures. SB 698 also requires the Board to contract with at least one administrator to run the operations of the plan.

Prior to the beginning of coverage, however, the Board and OCI are required to perform a number preparatory functions to enable the plan to begin coverage on the first day of the 13th month following the effective date of the bill. All of these activities will have a fiscal effect.

The Board must:

Meet periodically.

Secure a physical presence; i.e. office space as necessary.

Make the above mentioned determinations with regard to Plan financing and benefit levels.

Solicit bids for the Plan administrator(s).

Hire such staff as necessary.

Fulfill other statutorily required functions necessary for compliance with chs. 600 to 646 as they apply to group or blanket disability insurance policies, including securing reserves.

OCI must:

Provide administrative support for Board meetings, at least initially and possibly permanently.

Prepare Medicaid waiver requests to the federal Department of Health and Human Services to permit all Medicaid participants under the age of 65, including BadgerCare and Medical Assistance, to become participants in the Plan.

Determine regulatory oversight responsibilities and the effect on agency staffing levels.

All of these activities will have a fiscal effect on both the Board and OCI. There is no funding provided in the bill to cover these costs. It is assumed that the costs will either be borne out of GPR or OCI's Program Revenue funding.

SB 698 would require mandatory coverage of anyone employed in Wisconsin, including state and local government employees and employers who offer self-funded health benefit plans. Anticipated mandatory enrollment would include an estimated 1.4 million enrollees in group health insurance coverage and 2.1 million enrollees with employer self-funded health benefits for and estimated 3.5 million mandatory enrollees. Additionally, the bill provides for optional voluntary enrollees to come from the pool of self employed and long-term uninsured. While OCI has no estimate of the number of self employed individuals, there are approximately 135,000 individuals with individual health insurance coverage and an estimated 275,000 long-term uninsured (uninsured all year) who would not be part of the mandatory pool and would make up a potential voluntary participation pool of approximately 310,000 individuals. Not all of these individuals would opt for voluntary coverage. No estimate has been made of the number of individuals who would opt for coverage under the WHCP. Additionally, SB 698 would require that OCI obtain waivers from the Federal government to move individuals with public health coverage, excluding those with Medicare

coverage, into the WHCP. This would increase the size of the mandatory pool to approximately by approximately 841,000 individuals for an overall total of 4.3 million mandatory enrollees.

The significant enrollment figure would require a comprehensive actuarial analysis to assist the Board in the determination of benefits, premium levels, provider payments and drug discounts. This actuarial analysis would cost approximately \$2-\$3 million.

Requiring OCI to obtain waivers from the Federal Government may not be possible. Federal regulations require that waivers submitted by states must be originated by the requesting state's health agency, or the Department of Health and Family Services in Wisconsin. If OCI is not the permitted agency, then there will be no costs attributable to OCI related to the waiver activities. Those associated costs would be transferred, however, to DHFS.

OCI is not able to determine the effect of SB 698 on local governments. OCI does not collect information related to local government benefits offered and premiums paid. Furthermore, since the benefits under the WHCP are largely undetermined, it is not possible to make a comparison of the fiscal effect on local governments.

### **Long-Range Fiscal Implications**

Because SB 698 replaces commercial health insurance coverage with a state mandated policy, the state would experience significant reductions in income and franchise tax revenues from health insurance companies. In 2003, franchise and premium tax revenues for health insurers approximated \$55,500,000.

There is also a question of the consequences that may arise if a situation occurs where the Board has underestimated the amount of expenses or the anticipated revenue resulting in a deficit. The bill does not address deficits, but does create a General Purpose Revenue appropriation for operating costs of the WHCP. The presumption is that GPR would be used to fill any funding gaps.