

Fiscal Estimate Narratives

ETF 5/22/2003

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|---|-----------|---------------------|--------|---------------|----------|
| LRB Number | 03-1224/1 | Introduction Number | AB-312 | Estimate Type | Original |
| Subject | | | | | |
| Private employer and individual participation in state group health insurance program | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

The consulting actuary to the Group Insurance Board estimates 156,000 state residents are uninsured and eligible under this bill, based upon information provided by the Department of Health and Family Services on the number of uninsured in Wisconsin.

The state will incur costs to the extent that the average medical claims cost for individuals who choose this coverage will be similar to those of individuals electing COBRA coverage and who pay the entire premium. Such individuals also pay the entire premium, as is contemplated in this legislation for the uninsured. Such a group will subject the state group to significant adverse selection and research suggests that the medical claims will be 55% above average.

Using 2001 utilization and cost information (the most recent available) trended forward to 2003, we estimate that the cost to the state will be \$2.9 million in additional state medical costs for each one percent (1,560) uninsured who enroll. The actual costs will depend upon the number of individuals who enroll. Assuming, for example, that ten percent of the uninsured enroll, the cost in 2003 dollars will be \$29 million annually.

The actuary also estimates an increased cost due to the provision allowing insurance agents to sell this product to individuals. It is not clear how much authority the Department would have in setting agent compensation, which can have an impact on how much this product would be marketed. This estimate assumes agent commissions of approximately 10%, a reasonable assumption according to the Office of the Commissioner of Insurance. However, agent commissions can vary widely.

The actuary estimates that this provision would increase the number of people who are not uninsured but for whom the state program represents a higher benefit/lower premium rate than they are currently able to obtain in the individual or small group market.

The actuary estimates the range of fiscal effect to be from \$56 million to \$123 million depending upon the number of insured and uninsured participants electing coverage. The \$56 million assumes that three percent of the state's uninsured will enroll and that an additional 25,000 participants who currently have insurance will also enroll. The \$123 million estimate assumes that 10% of the state's uninsured participants will enroll as will an additional 50,000 currently insured residents. Actual costs will be lower or higher depending upon actual enrollment. Adding one of the PEHCCB health care coverage plans combined with a GIB health care coverage plan would add an additional \$12.2 million to the cost (assuming 10,000 enrollees). This assumes a 30% higher cost than the current State group health insurance program.

Other Department administrative costs related to the proposed bill are as follows:

- * Computer system changes to internal workflow and imaging system: \$108,000 (one-time)
- * Printing, postage and mailing of Dual Choice booklets; processing mail; scanning applications and other documents: \$189,800 (on-going)
- * Written inquiries and counseling (appointments/walk-ins): \$104,500 (one-time); \$20,800 (on-going)
- * 4.0 FTE trust fund specialist 1 - 1 year projects: \$152,000 (one-time) / \$11,900 (on-going); respond to telephone inquiries, e-mails, address changes, form orders, etc.

Total one-time administrative costs: \$364,500 SEG

Total on-going administrative costs: \$222,500 SEG

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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|--|--|--|-----------------|
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| Private employer and individual participation in state group health insurance program | | | |
| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): | | | |
| One-time costs associated with one-year project positions, computer system changes, forms and other procedure updates is \$364,500 SEG | | | |
| II. Annualized Costs: | | Annualized Fiscal Impact on funds from: | |
| | | Increased Costs | Decreased Costs |
| A. State Costs by Category | | | |
| State Operations - Salaries and Fringes | | \$ | |
| (FTE Position Changes) | | | |
| State Operations - Other Costs | | | |
| Local Assistance | | | |
| Aids to Individuals or Organizations | | | |
| TOTAL State Costs by Category | | \$ | \$ |
| B. State Costs by Source of Funds | | | |
| GPR | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | | | |
| III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.) | | | |
| | | Increased Rev | Decreased Rev |
| GPR Taxes | | \$ | \$ |
| GPR Earned | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | | | |
| TOTAL State Revenues | | \$ | \$ |
| NET ANNUALIZED FISCAL IMPACT | | | |
| | | State | Local |
| NET CHANGE IN COSTS | | \$see narrative | \$ |
| NET CHANGE IN REVENUE | | \$ | \$ |
| Agency/Prepared By | | Authorized Signature | Date |
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