

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-1282/1		Introduction Number AB-0125	
Description Relating to: the purchase of health care coverage through the Group Insurance Board by individuals who are engaged in the business of farming, granting rule-making authority, and making an appropriation			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
Local:			
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others 0 <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts			
Fund Sources Affected		Affected Ch. 20 Appropriations	
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input checked="" type="checkbox"/> SEGS			
Agency/Prepared By		Authorized Signature	Date
ETF/ Jon Kranz (608) 267-0908		Dave Stella (608) 266-3641	3/15/2007

Fiscal Estimate Narratives

ETF 3/16/2007

LRB Number	07-1282/1	Introduction Number	AB-0125	Estimate Type	Original
Description Relating to: the purchase of health care coverage through the Group Insurance Board by individuals who are engaged in the business of farming, granting rule-making authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill would allow any state resident who is engaged in the business of farming (including individuals employed by a farm business) to receive coverage under any health plan offered to state employees. Individuals electing coverage would be required to pay the entire premium. The bill authorizes DETF to establish by rule pre-existing condition exclusions for individuals electing coverage. Finally, the bill requires that individual electing coverage must provide proof to DETF that they have been covered by a health insurance plan or policy for any period time during the 6 months prior to electing coverage under the state plan.

The actuary notes that claims experience is 50% higher due to age alone. There are approximately 70,000 farmers in this state and while some are un-insurable, many would be able to obtain some kind of insurance if they wish, in order to then qualify for the state insurance. For this estimate, based on updated information provided by the consulting actuary, DETF is assuming that between 16,500 and 50,000 individuals would elect coverage. The pre-existing conditions provision mitigates some of the effect of adverse selection. In total, actuary estimates that the combined negative effect of the age and health status, combined with the positive effect of the pre-existing conditions and prior insurance clause result in the average farmer entering the program to be a thirty-five percent greater risk than the average state employee. Given the enrollment estimates above, this results in additional cost to the state program between \$33,950,000 and \$101,850,000 (this is the increased cost to cover the current state employees due to the assumption of the additional risk - it is not the cost of premiums that would be paid by individual farmers).

Administrative costs associated with billing administration, commission administration (this estimate assumes that individuals will purchased coverage via private insurance agents), and marketing are estimated to add up to an additional 2% to the total premium costs or \$16,140,000.

No estimate is included for any costs that may be incurred in determining and maintaining status as a tax-qualified plan under federal law (currently the plan qualifies as a government plan under federal law) as that is beyond of the scope of this estimate.

In addition, DETF estimates that one-time implementation costs would be approximately \$54,600 SEG (information technology system modifications and process modifications)and require 1.0 SEG FTE. On-going annual administrative costs would be approximately \$18,200 SEG (enrollment processing) and would require the addition of .35 SEG FTE. These costs assume that the DETF will only process the initial enrollment forms and verify prior insurance coverage and that the remaining administrative tasks will be done by private insurance agents and health plans.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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Description Relating to: the purchase of health care coverage through the Group Insurance Board by individuals who are engaged in the business of farming, granting rule-making authority, and making an appropriation			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): see narrative			
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	\$	\$
	NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		Authorized Signature	Date
ETF/ Jon Kranz (608) 267-0908		Dave Stella (608) 266-3641	3/15/2007