

Fiscal Estimate Narratives
OCI 2/22/2012

LRB Number	11-3587/1	Introduction Number	SB-343	Estimate Type	Original
Description Requiring certain medical loss ratios for health benefit plans					

Assumptions Used in Arriving at Fiscal Estimate

SB 343 requires health benefit plans in the group and individual market, including health benefit cooperatives and defined network plans, to maintain certain specified minimum medical loss ratios (MLR). The minimum MLR that is required is contingent on the nature of the health benefit plan. Specifically, individual and small group (defined in the bill as 100 or fewer employees) plans are required to maintain a minimum MLR of 80%. Large groups are defined as 101 or greater employees and are required to maintain a minimum MLR of 85%.

The bill does not apply to self-funded local government plans.

Similar to PPACA, we will anticipate that a 80% loss ratio will result in turbulence in the health insurance marketplace. To date, we do not have an exact idea of the number of insurers who may look at dropping out of the Wisconsin marketplace. However, some individuals will likely lose health insurance and will need to find alternative coverage. If these individuals have a health condition, that coverage may be through the HIRSP program. If the affected individuals are low-income we may see an increased enrollment in state programs.

The bill is largely duplicative of the MLR requirements under the Patient Protection and Affordable Care Act of 2010 (PPACA) with certain exceptions, the major exception being that there is no remedial language in place to address insurer non-compliance with the minimum MLR requirement. PPACA, on the other hand, required insurers to rebate premiums back to consumers if they were unable to comply. It is therefore assumed that the Commissioner would be able to fall back on the authority granted to the Commissioner under the statutes to enforce the provisions of the bill

The bill defines "medical costs" broadly as medical services, supplies and equipment, as well as prescription drugs. Because of this broad definition, OCI may be required to further specify the types of costs that are (and are not) included in the definition.

Finally, if this bill becomes law and PPACA is not found to be unconstitutional by the US Supreme Court, OCI would need to address any conflicts between state and federal law.

The fiscal effect of these activities is indeterminate. There could be significant impact on the health insurance marketplace, with increases in the number of uninsured seeking public coverage. The range of activities is dependent on the occurrence (or not) of future events and decisions that are not known at this time. It is not possible to gauge the level of OCI's resource commitment in order to yield a credible estimate, though it may be possible to absorb these activities within the agency's existing budget.

Long-Range Fiscal Implications