

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below	(See Below)	See Below	(See Below)
CASH FUNDS	See Below		See Below	
FEDERAL FUNDS				
DISTRIBUTIVE FUNDS	See Below		See Below	
TOTAL FUNDS				

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 322 pertains to prescription drug benefits in individual and group health benefit plans. The bill provides that an insurer shall not create specialty tiers that require payment of a percentage cost of prescription drugs. Insurers are not to establish tiers of prescription drug copays in which the maximum drug copay is in excess of 500% of the lowest drug copay charged by the plan.

The bill also requires insurance plans with a limit on out-of-pocket costs, for other than prescription drug costs, to include prescription drug out-of-pocket expenses under the plan's total out-of-pocket limit, or, limit out-of-pocket expenses for prescription drugs to \$1,000 per insured or \$2,000 per family, adjusted for inflation. The Department of Insurance is to enforce the provisions of the bill. The operative date is January 1, 2012.

State Employee and University Employee Health Care Plans: The Department of Administrative Services (DAS) and the University of Nebraska indicate the bill increases the cost of health insurance plans provided to state employees. The primary component of the bill which increases plan costs is the requirement to include expenditures for prescription drugs within the total out-of-pocket limit for the health insurance plan. DAS estimates increased costs for the state employee plan of \$375,000 in 2011-12 and \$413,350 in 2012-13. The University of Nebraska projects increased health care plan costs of \$750,000 in 2011-12 and \$1.5 million in 2012-13. Currently, each of these plans is funded in part by an employer and employee contributions, with the employer contributing about 75 – 79% of the cost of the plan. The fiscal impact of the bill for the state and the University will depend upon how the increased costs are shared by the employer and employee.

The University and the state employee health insurance plans both utilize a three tier drug structure in their prescription drug coverage. The state plan currently complies with the requirement in the bill that drug copays cannot exceed 500% of the lowest drug copay charged by the plan. However, the University tiered plan has copays of \$9, \$31 and \$52. So, the plan will need to be restructured to increase the copay for generic drugs or reduce the copay for non-formulary brand drugs. Either alternative will have a fiscal impact for the plan. The University also indicates under its wellness plan in some circumstances there is a \$0 copay which would have to be adjusted or the bill will result in no copays at all for prescription drugs.

Comprehensive Health Insurance Plan: Based upon information provided by the administrator of the Comprehensive Health Insurance Pool (CHIP), the Department of Insurance estimates the bill will increase expenditures of the health care plan by \$750,000 in 2011-12 and \$1.5 million in 2012-13. The estimate is based upon the provisions of the bill which limit out-of-pocket maximums to \$1,000 per insured per year and the limitation on the highest drug copay not exceeding 500% of the lowest copay.

Increased expenditures by the CHIP Distributive Fund for LB 322 reduces the amount of premium tax revenue that is annually distributed to the state and political subdivisions, assuming premiums are not increased for policyholders due to premium rate guidelines established in statute.

Currently, premium tax proceeds are allocated to the General Fund (40%), Municipal Finance Assistance Fund (10%) and the Insurance Tax Fund (50%). The Insurance Tax Fund is allocated to schools (60%), municipalities (30%) and counties (10%). Any loss of revenue for school districts decreases resources for state aid purposes which increases state aid by a like amount two years later. The estimated fiscal impact of the bill in terms of increased expenses for CHIP will result in a loss in revenue for the following entities:

	Premium	Est. Fiscal
	Tax %	Impact
General Fund	40%	600,000
Mutual Assistance Fund	10%	150,000
Insurance Tax Fund:		
Schools	30%	450,000
Cities	15%	225,000
Counties	<u>5%</u>	<u>75,000</u>
Total Allocation	100%	1,500,000

Political Subdivision Health Insurance Plans: It is assumed the bill will have a fiscal impact in terms of increased expenditures for health care plans provided to employees of political subdivisions. The actual fiscal impact will depend upon the amount of increased plan costs and how the additional expenditures are shared by employees and employers.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	1/26/11	PHONE 471-2526
COMMENTS			
DEPT. OF INSURANCE – Concur.			
UNIVERSITY OF NEBRASKA – Agency’s estimate appears to be reasonable.			
ADMINISTRATIVE SERVICES – Agency’s estimate of impact appears to be reasonable.			

Please complete ALL (5) blanks in the first three lines.

2011

LB⁽¹⁾ 322 FISCAL NOTE

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JAN 26 2011
LEGISLATIVE FISCAL

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Insurance

Prepared by: ⁽³⁾ Eric Dunning Date Prepared: ⁽⁴⁾ 01/19/11 Phone: ⁽⁵⁾ 471-4650

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2010-2011		FY 2011-2012	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	<u>\$1.5 million</u>	_____	<u>\$1.5 million</u>	_____

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

Based upon information provided to the Department of Insurance by the Administrator, LB 1017 has an increased expenditure fiscal impact to the Comprehensive Health Insurance Pool ("CHIP") distributive fund of \$1.5 million in the first year, with increases in subsequent years. This estimate is based on the most recent claims data from 2009. This cost is based on the provisions of the bill limiting out of pocket maximum costs to \$1000 per year, and limiting the difference between the lowest permissible co-payment and the highest to 500%.

Pursuant to Neb. Rev. Stat. § 77-912, the distribution of premium taxes paid by insurers which is otherwise not used the CHIP Distributive Fund is 40% to the General Fund, 10% to the Mutual Assistance Fund for legislative appropriation, and 50% to the Insurance Tax Fund. Of the Insurance Tax Fund, the distribution is 10% to counties, 30% to the Municipal Equalization Fund, and 60% distributed under TEEOSA. The following table shows the breakdown of the distribution of the premium taxes.

General Fund	40%	600,000
MFA	10%	150,000
County	5%	75,000
Muni	15%	225,000
TEEOSA	30%	450,000
Total	100%	\$1,500,000

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2011-2012 EXPENDITURES	2012-2013 EXPENDITURES
	11-12	12-13		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____

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LB⁽¹⁾ 322 FISCAL NOTE

LEGISLATIVE FISCAL

State Agency OR Political Subdivision Name: ⁽²⁾ University of Nebraska

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ January 21, 2011 Phone: ⁽⁵⁾ 472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2011-2012		FY 2012-2013	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	750,000		1,500,000	
TOTAL FUNDS	750,000		1,500,000	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

The University would incur healthcare plan costs associated with this bill, based on our discussions with BCBS, of between \$1.2 and \$1.6 million dollars.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2011-2012 EXPENDITURES	2012-2013 EXPENDITURES
	11-12	12-13		
Benefits.....				
Operating.....			750,000	1,500,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			750,000	1,500,000

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JAN 25 2011

LEGISLATIVE FISCAL

2011 Legislative Bill Proposal Fiscal Note

Bill #: 322

State Agency: Administrative Services

Prepared by: Paula Fankhauser

Date Prepared: January 18, 2011 Phone: 471-2832

Approved by:

Estimate of Fiscal Impact – State Agencies

	FY 2011-12		FY 2012-13	
	Expenditures	Revenue	Expenditures	Revenue
General Funds				
Cash Funds				
Federal Funds				
Other Funds	375,771	0	413,350	0
Total Funds	375,771	0	413,350	0

Explanation of Estimate:

LB 322 prohibits an insurer from creating specialty co-pay tiers that require payment of a percentage of the cost of prescription drug benefits. The bill also prohibits out-of-pocket limits that exclude prescription medications. The State of Nebraska's medical benefit plans currently cover specialty medications under our current three tier copayment schedule. Our current co-pay structure is a set dollar amount for each of the three tiers (\$10, \$25, and \$40) for both retail and mail order prescriptions.

However, the State of Nebraska does not have an out of pocket limit on prescription medications and these costs are not currently combined with the out of pocket annual maximum limit under the medical coverage. Section 2(1)(c)(i) of the proposed bill requires that the out of pocket co-pays for prescription medications be combined and applied towards the annual maximum out of pocket of the medical plan an employee is enrolled in. Under this scenario, there would be a fiscal impact to the State of Nebraska's medical plans.

Under the current medical plan designs, the out of pocket maximum ranges from \$1,400 to \$4,000 individually. Based on the 2009-10 fiscal year prescription claim data, approximately \$1.163 million was spent by employees and dependents on prescription co-pays. Assuming that the employees who incur prescription expenses in excess of \$1000 would also incur medical expenses, in FY2009-10, 581 employees would have had prescription expenses in excess of \$1000 and meet the combined maximum. This would result in the plan covering any remaining out of pocket expenses. Based on the prescription claim numbers for 2009-10 and prescription trends (projected 10% increase each year), this would result in an additional cost to the State of Nebraska of approximately \$375,771 in FY 2011-12 and \$413,350 in FY12-13.

The State health plan is entirely self-funded through contributions. The State contributes 79% of the premium cost and the employee 21%. The State sets premiums based on actuarial projections of the anticipated costs of health coverage for participants. As many factors contribute to changes in premiums costs each plan year – plan usage, changing claim costs, etc, we are not able at this time to determine the exact amount of premium increases that the required plan change would result in.

Major Objects of Expenditure

Personal Services:

Position Title:	Number of Positions			2011-12	2012-13
	11-12	12-13		Expenditures	Expenditures
Benefits					
Operating				375,771	413,350
Travel					
Capital Outlay					
Aid					
Capital Improvements					
TOTAL				375,771	413,350