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DATE PREPARED: February 11, 2010
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LB 1017

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2010-11		FY 2011-12	
	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 1017 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 charge a prescription drug copay in excess of the cost of the drug to the prescription plan or a drug copay in excess of 500% for 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. The Department of Insurance is to enforce the provisions of the bill. The operative date is January 1, 2011.

State Employee and University Employee Health Care Plans: The Department of Administrative Services (DAS) and the University of Nebraska indicate the bill will increase the cost of health insurance plans provided to state employees. The primary component of the bill which will increase 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 $1.25 million in 2010-11 and $1.5 million in 2011-12. The University of Nebraska projects increased health care plan costs of $1.5 million in 2010-11. It is assumed at least $1.8 million of increased expenditures will occur in 2011-12. 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, $28 and $47. 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 $1.5 million in 2010-11 and 2011-12. 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.

The increase in the cost of the plan will be shared in part by the CHIP Distributive Fund and policyholders. Data from CHIP shows that about 47% of the cost of the plan is paid by the distributive fund and 53% by policyholders. Any funds which remain in the CHIP Distributive Fund after the payment of claims and expenses are allocated to the state and political subdivisions on an annual basis. An increase in plan costs pursuant to the bill decreases revenue for the General Fund (40%), Mutual Finance Assistance Fund (10%) and the Insurance Tax Fund (50%). The Insurance Tax Fund is allocated to schools (60%), municipalities (30%) and counties (10%).

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	DATE 2/8/10	PHONE 471-2526

COMMENTS

ADMINISTRATIVE SERVICES: Agency's estimate of impact appears reasonable.

DEPARTMENT OF INSURANCE: Agency's estimate of impact appears reasonable.

UNIVERSITY OF NEBRASKA: Agency's estimate of impact appears reasonable. However, basis upon the University's 2009-10 general operating budget, General Fund represents 26% of their total funding source. Therefore, the General Fund impact would be lower.