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PREPARED BY:  
DATE PREPARED:  
PHONE:

Sandy Sostad  
February 14, 2012  
471-0054

LB 835

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$453,567		\$544,212	
FEDERAL FUNDS	\$7,383,013	See Below	\$27,706,535	See Below
OTHER FUNDS				
TOTAL FUNDS	\$7,836,580		\$28,250,747	

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

LB 835 is the Nebraska Health Benefit Exchange Act. The bill establishes the health benefit exchange within the Department of Insurance (DOI). The exchange is to operate under the supervision and control of an eleven member board, with three ex-officio non-voting state agency directors or representatives from the DOI, Medicaid and Long-Term Care, and Children and Family Services. The board shall employ an executive director who is responsible for the administrative operations of the exchange. The Tax Commissioner, Auditor of Public Accounts and the Attorney General shall make available to the board such personnel, facilities and other assistance as needed.

The exchange shall: facilitate the purchase and sale of qualified health plans; establish a small business health benefit exchange; coordinate with other state agencies whose operations relate to those of the exchange (Medicaid, CHIP); and include all of the functions required by the federal Affordable Care Act, on or before January 1, 2014, with open enrollment potentially beginning in October, 2013. The exchange shall also work with the Comprehensive Health Insurance Pool to transition pool coverage recipients to health plans by the required date. The exchange is to be financially sustainable by January 2015.

The bill requires that federal funding be pursued for planning, implementation and operation of the exchange. The exchange may contract with an entity for any of its functions and shall enter into information-sharing agreements with federal and state agencies or other state exchanges as needed. The bill requires the establishment of a navigator grant program and provides for public relations and outreach campaigns.

The bill establishes the Nebraska Health Benefit Exchange Fund for the operation of the exchange. The fund is to contain all federal funds received for the exchange and other payments, grants or income. The bill also provides for all premium and retaliatory taxes paid by health insurers to be deposited in the fund, rather than the Comprehensive Health Insurance Pool Distributive Fund, beginning with taxes paid for tax year 2014. The fund may also receive assessments or user fees imposed on health insurance carriers or appropriations by the Legislature.

Expenditures: The DOI contracted with Health Management Associates (HMA) for a study of the costs associated with establishing and operating a health insurance exchange. The following table shows the phased-in estimated costs of developing and funding a state-operated health insurance exchange as estimated by the consulting firm. The table on the following page shows the high cost estimate developed by HMA. A lower cost alternative was also identified in the report and is available for review. The funding sources used assume the state meets the criteria to receive federal Level Two establishment grant funding which can be applied for through June of 2012.

Continued

	2012-13	2013-14	2014-15	2015-16	2016-17
<b>HIGH COST ESTIMATE</b>					
<b>Department of Insurance</b>					
FTE	4.00	13.75	34.00	34.00	34.00
Salaries/Benefits	563,760	1,826,654	3,070,714	3,147,482	3,226,169
Operations/Travel/Admin.	122,960	324,825	287,810	232,610	232,610
Consultants	3,045,000	5,850,000	5,425,000	2,340,000	1,340,000
<b>Contractual:</b>					
Call Center	0	1,516,200	256,230	578,880	839,520
Website Development	0	1,000,000	185,000	350,000	250,000
Premium Billing	0	5,144,000	1,806,300	2,922,885	4,554,900
Outreach	100,000	1,000,000	1,000,000	250,000	125,000
Navigators	0	0	1,000,000	1,000,000	1,000,000
Appeals	0	0	379,625	220,681	264,388
Planning Costs	552,500	637,500	637,500	637,500	637,500
<b>Total DOI</b>	<b>4,384,220</b>	<b>17,299,179</b>	<b>14,048,179</b>	<b>11,680,038</b>	<b>12,470,087</b>
<b>DHHS/Revenue/DAS</b>					
FTE	7.0	8.0	8.0	8.0	8.0
Salaries/Benefits/Operations	595,000	680,000	680,000	680,000	680,000
<b>Total Exchange Operating Expenditures</b>	<b>4,979,220</b>	<b>17,979,179</b>	<b>14,728,179</b>	<b>12,360,038</b>	<b>13,150,087</b>
State/Cash Funds	0	900	1,037,800	10,659,691	11,391,320
Federal Funds	4,979,220	17,978,279	13,690,379	1,700,347	1,758,767

The DOI also contracted with Public Consulting Group (PCG) to estimate the expenditures related to the development of the technology for the exchange. The exchange will need the capability to integrate eligibility determination and enrollment processes for health coverage programs and provide coordination between the exchange and Medicaid and CHIP programs starting in 2014. PCG proposed four alternatives and DOI and HHS selected an alternative to centralize rule and member data. It should be noted the estimates do not include the costs of connecting to the federal hub. The following table shows the projected phased-in cost of the alternative:

	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Technology Infrastructure</b>					
<b>One-time costs</b>					
Personnel/Planning Contractor	712,218	624,436	208,145		
Design, Development & Implementation	1,026,968	5,066,275	1,688,759		
Infrastructure, Software & Hardware	664,607	3,328,895			
Staff Training		125,000			
Verification & Validation		583,650	194,550		
<b>On-going costs</b>					
Database Maintenance			778,200	1,167,300	1,167,300
Hardware & Software Maintenance			381,662	572,493	572,493
State Data Center Costs			658,111	987,167	987,167
Customer Service Center Infrastructure			754,600	1,131,900	1,131,900
Printing/Postage			56,000	84,000	84,000
<b>Total Technology Expenditures</b>	<b>2,403,793</b>	<b>9,728,256</b>	<b>4,720,027</b>	<b>3,942,860</b>	<b>3,942,860</b>
State/Cash Funds	0	0	0	3,942,860	3,942,860
Federal Funds	2,403,793	9,728,256	4,720,027	0	0

The DOI also estimates the need for additional employees in the department due to the existence of the exchange. An estimated 6.5 FTE will be needed in FY2012-13 and 7.5 FTE each year thereafter. The bill provides for an eleven member board. The following table shows estimated increased cash fund expenditures for DOI to fund the additional staff and board member expenses.

	2012-13	2013-14	2014-15	2015-16	2016-17
DOI Additional Staff	430,527	520,272	520,272	520,272	520,272
Advisory Board Expenditures	23,040	23,040	23,040	23,040	23,040
<b>Total DOI Cash Fund Expenses</b>	<b>453,567</b>	<b>543,312</b>	<b>543,312</b>	<b>543,312</b>	<b>543,312</b>

The following table shows total estimated costs for the development and operation of the exchange, technology infrastructure, additional DOI employees and board member expenses:

	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Total Estimated Expenditures</b>	<b>7,836,580</b>	<b>28,250,747</b>	<b>19,991,518</b>	<b>16,846,210</b>	<b>17,636,259</b>
State/Cash Funds	453,567	544,212	1,581,112	15,145,863	15,877,492
Federal Funds	7,383,013	27,706,535	18,410,406	1,700,347	1,758,767

Revenues: The Nebraska Health Benefit Exchange Fund is established by the bill. All premium and retaliatory taxes paid by health insurers are to be deposited in the fund, rather than the Comprehensive Health Insurance Pool Distributive Fund, beginning with taxes paid for tax year 2014.

Currently, premium taxes paid by health insurers that are needed to fund the Comprehensive Health Insurance Pool are allocated annually for this purpose. The remaining funds accrue to the General Fund (40%), Mutual Finance Assistance Fund (10%) and the Insurance Tax Fund (50%). The Insurance Tax Fund is allocated to political subdivisions. Schools receive 60% of the Insurance Tax Fund, cities receive 30% and counties are allocated 10%.

The bill eliminates funding for CHIP and allocates the entire amount of premium tax receipts from health insurers for the operation of the exchange. Annual funding for CHIP is about \$24-\$27 million and annual premium taxes paid by health insurers are about \$38 million. The difference is distributed to the aforementioned entities.

Since the bill appears to require that all premium taxes paid by health insurers will be allocated for the operation of the exchange, there will be an annual loss in revenue for the General Fund (\$4.4 - \$5.6 million), for the Mutual Finance Assistance Fund (\$1.1 - \$1.4 million) and for schools (\$3.3 - \$4.2 million), counties (\$550,000 - \$700,000) and cities (\$1.65 - \$2.1 million) beginning in 2015. A decrease in premium tax receipts for school districts will likely result in an increase in state aid to schools, two years after the decrease in premium taxes occurs.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	DATE	2/17/12	PHONE	471-2526
<b>COMMENTS</b>					
ADMINISTRATIVE SERVICES: Concur.					
NEBRASKA AUDITOR OF PUBLIC ACCOUNTS: No basis to disagree with agency's estimate of impact.					
DEPARTMENT OF INSURANCE: The agency's estimate of impact appears to be reasonable with the information currently available from the federal government.					

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LEGISLATIVE FISCAL

# 2012 Legislative Bill Proposal Fiscal Note

Bill # LB835

State Agency: Administrative Services

Prepared by: Roger Wilson

Date Prepared: January 10, 2012 Phone: 402-471-1638

Approved by:

## Estimate of Fiscal Impact – State Agencies

	FY 2012-13		FY 2013-14	
	Expenditures	Revenue	Expenditures	Revenue
General Funds				
Cash Funds				
Federal Funds				
Other Funds				
<b>Total Funds</b>	\$0	\$0	\$0	\$0

### Explanation of Estimate:

LB 835 is referring to the Nebraska Health Benefit Exchange Act and the establishment of a Nebraska health benefit exchange, which facilitates the purchase and sale of qualified health plans in the Nebraska individual market. It also provides for the establishment of a small business health benefit exchange to assist qualified small employers in this state enrolling their employees in qualified health plans offered in the small group market. In addition, this establishes a control board for direct supervision and control of the exchange. The bill as proposed has no fiscal impact on the Department of Administrative Services.

## Major Objects of Expenditure

### Personal Services:

Position Title:	Number of Positions			2012-13	2013-14
	12-13	13-14		Expenditures	Expenditures
Benefits					
Operating					
Travel					
Capital Outlay					
Aid					
Capital Improvements					
<b>TOTAL</b>					

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**LB(1) 835 FISCAL NOTE**

LEGISLATIVE FISCAL

State Agency OR Political Subdivision Name: (2) NE Auditor of Public Accounts

Prepared by: (3) Mary Avery Date Prepared: (4) 1/9/2012 Phone: (5) 402-471-3686

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

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

Explanation of Estimate:

LB 835, as currently written, has no fiscal impact to our office, Agency 010.

**MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2012-2013	2013-2014
	12-13	13-14	EXPENDITURES	EXPENDITURES
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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Please complete ALL (5) blanks in the first three lines.**LB<sup>(1)</sup> 835 FISCAL NOTE**State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of InsurancePrepared by: <sup>(3)</sup> Eric Dunning Date Prepared: <sup>(4)</sup> 2-8-12 Phone: <sup>(5)</sup> 1-4650**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$430,527		\$519,372	
FEDERAL FUNDS	\$7,383,013		\$27,706,356	
OTHER FUNDS			\$900	
TOTAL FUNDS	\$7,813,540		\$28,226,628	

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

LB 835 (Nordquist) would adopt the Nebraska Health Benefit Exchange Act. The Nebraska Health Benefit Exchange Act creates a board to create a health benefit exchange that will meet the requirements of federal law for a state health benefit exchange. Federal law requires that the health benefit exchanges operate a website allowing comparisons between private sector health plans, provide access to the Medicaid program, and administer a series of federal subsidies for individuals purchasing coverage. In addition, exchanges are required to operate physical locations for consumer access and a call center. Federal grant funds are available to create the Exchange, with the exception of funding Navigator Grants, but the Exchange must become self sustaining after January 1, 2015, because it will not have federal funds available to it.

Under the bill, the board is granted the discretion to fund these obligations using premium tax paid by insurers writing health business in the state, fees for insurers, gifts and bequests, and legislative appropriations. To the extent premium tax funds are used, they would be diverted from their current use, including subsidizing the operations of the Comprehensive Health Insurance Pool. Pursuant to Neb. Rev. Stat. § 77-912, the distribution of premium taxes paid by insurers is forty percent to the General Fund, ten percent to the Mutual Assistance Fund for legislative appropriation, and fifty percent to the Insurance Tax Fund. Of the Insurance Tax Fund, ten percent is distributed to counties, thirty percent to the Municipal Equalization Fund, and sixty percent distributed under TEEOSA.

Members of the board shall be reimbursed for their actual and necessary expenses as provided in Neb. Rev. Stat. § 81-1174 to 81-1177. There are eight appointed members and three ex-officio members. Assuming twelve monthly meetings, and that one half of the members will be entitled to travel expense reimbursement of \$120 per meeting in addition to reimbursement at the current mileage rate of 55 cents per mile, with an average of \$100 per person, reimbursable board travel has been assumed at \$23,040.

Using federal grant funds, the Department contracted with Health Management Associates (HMA) to estimate the costs of creating and operating a fully state based exchange but did not provide the cost for the technology piece which was supplied by Public Consulting Group (PCG). For purposes of this fiscal note, the Department has used the "high estimate" from HMA. The staffing levels as projected by HMA, increase over time, with a number of positions not coming on line until late in a given quarter. For further information, please refer to Health Management Associates, NEBRASKA EXCHANGE PLANNING AND ANALYSIS REPORT, dated October 21, 2011, pages 59 through 67.

HMA estimated the costs for development and operations of an exchange as show in the table below. The fund source for the non-federal funds would need to be generated by the exchange, from the Premium Tax, or as an appropriation of General Funds.

	FY2012-13	FY2013-14	FY2014-15	FY2015-16	Total 4 years
Non-federal fund source	-	900	1,037,80	10,659,69	11,698,391
Federal	4,979,220	17,978,10	13,690,37	1,700,34	38,348,046
	4,979,220	17,979,00	14,728,17	12,360,03	50,046,437
		0	9	8	

Using federal grant funds, the Department contracted with PCG to estimate the Information Technology costs associated with creating and operating a fully state based exchange. PCG provided a high level cost estimate for the information technology portion of a state based exchange. PCG estimated a total cost of \$14,223,503 with an ongoing IT related costs beginning in FY2014-15. Federal Exchange Grant funds are available for the portion of these costs relating to the exchange as well, with the remainder being the responsibility of the Medicaid Program. The portion that is determined to be the responsibility of the Medicaid Program will have a 10% state match provision. Determination of this amount is subject to a cost allocation mechanism that has not yet been determined by the federal government and is shown as 100% federal funding in this fiscal note. For further information, please refer to Public Consulting Group, HEALTH INSURANCE EXCHANGE INFORMATION TECHNOLOGY ROADMAP, dated October 11, 2011, pages 42 through 46.

<b>IT Costs</b>	<b>FY2012-13</b>	<b>FY2013-14</b>	<b>FY2014-15</b>	<b>FY2015-16</b>	<b>Total 4 years</b>
Development	2,403,793	9,728,256	2,091,454	-	14,223,503
Ongoing	-	-	2,628,573	3,942,859	6,571,432
<b>Total Costs</b>	<b>2,403,793</b>	<b>9,728,256</b>	<b>4,720,027</b>	<b>3,942,859</b>	<b>20,794,935</b>
Non-Federal fund Source	-	-	-	3,942,859	3,942,859
Federal	2,403,793	9,728,256	4,720,027	-	16,852,076
<b>Total Funding</b>	<b>2,403,793</b>	<b>9,728,256</b>	<b>4,720,027</b>	<b>3,942,859</b>	<b>20,794,935</b>

These estimates were created in the summer of 2011 before significant rulemaking by the federal government. Final federal rulemaking has not been completed, and additional unanticipated federal provisions may vary the final totals. In addition, the estimates are based on a series of assumptions outlined in the reports cited above. Final totals may vary based upon specific decisions made by the board created under LB 835.

The Expenditures column under "Cash Funds" refers to positions created within the Department of Insurance necessary to carry out that agency's functions under an exchange.

The Personal Services category position titles refer to the titles used in the above referenced reports, with the positions that HMA believed most analogous to current Nebraska Personnel System job titles appearing in parentheses.

The costs associated with creation of a state based exchange extend beyond the duration of this fiscal note. Below is a brief chart showing these costs through the period covered in the two reports cited above.

The impact on revenue is interminable to estimate at this time due to the wide latitude given the board in funding the project.

	<b>FY 2014-2015</b>		<b>FY 2015-2016</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
<b>GENERAL FUNDS</b>				
<b>CASH FUNDS</b>	\$519,372		\$519,372	
<b>FEDERAL FUNDS</b>	\$18,410,406		\$1,700,347	
<b>OTHER FUNDS</b>	\$1,037,800		\$14,602,550	
<b>TOTAL FUNDS</b>	<u>\$19,967,578</u>		<u>\$16,822,269</u>	

#### **MAJOR OBJECTS OF EXPENDITURE**

##### **Personal Services:**

<b>POSITION TITLE</b>	<b>NUMBER OF POSITIONS</b>		<b>2012-2013</b>	<b>2013-2014</b>
	<b>12-13</b>	<b>13-14</b>	<b>EXPENDITURES</b>	<b>EXPENDITURES</b>
CHIEF EXECUTIVE OFFICER (Director)	1	1	150,000	153,752
CHIEF OPERATING OFFICER (Deputy Director)	0	.5	0	70,597

OFFICE MANAGER (Business Manager III)	0	.25	0	13,940
HUMAN RESOURCES (Personnel Administrator III)	.75	1	61,875	101,861
GENERAL COUNSEL (Agency Legal Counsel)	0	.5	0	64,576
APPEALS UNIT MANAGER (Attorney III)	0	.5	0	61,039
APPEAL STAFF (Data Entry Analyst)	0	.25	0	8,021
DIRECTOR POLICY & RESEARCH (DHHS Program Analysis & Research Admin.)	.75	1	58,950	98,861
COMMUNICATIONS DIRECTOR (Marketing Manager)	0	.75	0	73,340
OUTREACH DIRECTOR (Marketing Manager)	0	.75	0	73,340
COMM / OUTREACH STAFF (Public Information Officer I ) (2 positions)	0	.5	0	23,012
MARKETING DIRECTOR (Marketing Manager)	0	.5	0	55,889
CHIEF FINANCIAL OFFICER (Controller)	.75	1	65,400	105,473
SENIOR FINANCIAL ANALYST (Budget Officer III)	0	.25	0	14,991
DIRECTOR OF ACCOUNTING (Controller)	0	.75	0	88,586
CHIEF INFORMATION OFFICER (Information Technology Manager II)	.75	1	81,375	121,847
IT ANALYST (Information Technology Operations Analyst) (2 positions)	0	.75	0	68,214
DIRECTOR NEBRASKA HEALTH EXCHANGE (DHHS Division Director)	0	.75	0	156,724
SENIOR STAFF INDIVIDUAL EXCHANGE (Health Section Administrator)	0	.25	0	16,298
EXCHANGE STAFF (Data Entry Analyst) (4 positions)	0	1	0	32,084
Exchange staff total	4		\$417,600	\$1,410,466
Actuary/Casualty/Health & Life (DOI)	0	1	0	65,145
POLICY ANALYST Insurance Health Policy Analyst (DOI)	2	2	94,714	94,714
Information Technology Operations Analyst (DOI)	1.5	1.5	61,526	61,526
Insurance Market Conduct Examiner II (DOI)	1	1	38,721	38,721
Attorney III (DOI)	1	1	61,039	61,039
Information Technology Supervisor (DOI)	1	1	62,909	62,909
DOI staff total	6.5	7.5	\$318,909	\$384,054
<b>Combined Total Exchange and NDOI</b>	<b>10.5</b>	<b>20.75</b>	<b>\$736,569</b>	<b>\$1,794,520</b>

Benefits.....

\$257,778

\$628,082

Operating.....

\$6,707,753

\$24,964,338



<b>Travel</b> .....	<u>\$95,440</u>	<u>\$110,190</u>
<b>Capital outlay</b> .....	<u>\$16,000</u>	<u>\$752,538</u>
<b>Aid</b> .....	<u>0</u>	<u>0</u>
<b>Capital improvements</b> .....	<u>0</u>	<u>0</u>
<b>TOTAL</b> .....	<u>\$7,813,540</u>	<u>\$28,249,668</u>

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/17/12			
Approved by: Douglas Ewald		Date Prepared: 2/16/12			
		Phone: 471-5700			
FY 2012-2013		FY 2013-2014		FY 2014-2015	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$ 79,500		\$ 72,000	
Cash Funds					
Federal Funds					
Other Funds					
Total Funds		\$ 79,500		\$ 72,000	

LB 835 (Nebraska Health Benefit Exchange Act) creates the health benefit insurance exchange (and a governing board for the exchange) for purposes of meeting the requirements of the Patient Protection and Affordable Care Act. The exchange will be governed by a Board, which may request the assistance of personnel, facilities and other assistance from the Tax Commissioner except as otherwise prohibited by law. The exchange may also enter into information-sharing agreements with federal and state agencies and other state exchanges as needed to carry out its responsibilities under the act. LB 835 redirects proceeds from the insurance premium tax beginning with tax years ending Dec. 31, 2014, and each year thereafter, to the Nebraska Health Benefit Exchange Fund.

The Department may be asked to validate (income) eligibility for those people wanting to join the health exchanges, but a specific amendment to the Department's confidentiality statutes would be necessary to validate an individual's income.

It is estimated that there is no revenue impact to the General Fund to implement this bill.

The Department will need 1 FTE to assist the Department of Insurance in assessing income eligibility. This will cost \$79,500 in FY 2013-14 and \$72,000 in FY 2014-15.

Major Objects of Expenditure

Class Code	Classification Title	12-13 FTE	13-14 FTE	14-15 FTE	12-13 Expenditures	13-14 Expenditures	14-15 Expenditures
A29622	Revenue Tax Specialist Senior		1.0	1.0		\$ 53,500	\$ 54,500
Benefits.....						\$ 17,500	\$ 18,000
Operating Costs.....							
Travel.....							
Capital Outlay.....						\$ 8,500	
Aid.....							
Capital Improvements.....							
Total.....							