

1/20/12

PREPARED BY: Sandy Sostad
 DATE PREPARED: February 13, 2012
 PHONE: 471-0054

LB 838

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	\$430,527		\$521,172	
FEDERAL FUNDS	\$7,383,013	See Below	\$27,706,535	See Below
OTHER FUNDS				
TOTAL FUNDS	\$7,813,540		\$28,227,707	

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

LB 838 is the Nebraska Health Benefit Exchange Act. The bill authorizes the Director of the Department of Insurance to establish a health benefit exchange to facilitate the purchase and sale of health plans; provide for a SHOP exchange for employers of 100 or less employees; and, meet the requirements of the federal Patient Protection and Affordable Care Act.

The exchange may contract with an eligible entity for any of its functions and enter into information-sharing agreements with federal and state agencies and other state exchanges. The exchange is to make qualified health plans available to individuals and employers on or before January 1, 2014, with open enrollment potentially beginning in October, 2013.

The exchange shall, among other requirements: certify and rate 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); operate a toll-free hotline; maintain an Internet web site for enrollment; determine eligibility for premium tax credits, reduced cost-sharing or individual responsibility exemptions; conduct public education activities; provide an electronic calculator; award grants to selected navigators; and meet financial integrity requirements, on or before January 1, 2014. The exchange is to be financially sustainable by January 2015.

The bill authorizes the exchange to charge assessments or user fees to health carriers or otherwise generate revenue to support its operations. The funds are to be credited to the Health Benefit Exchange Act Cash Fund.

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 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.

	2012-13	2013-14	2014-15	2015-16	2016-17
HIGH COST ESTIMATE					
Department of Insurance					
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
Contractual:					
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
Total DOI	4,384,220	17,299,179	14,048,179	11,680,038	12,470,087

DHHS/Revenue/DAS					
FTE	7.0	8.0	8.0	8.0	8.0
Salaries/Benefits/Operations	595,000	680,000	680,000	680,000	680,000
Total Exchange Operating Expenditures	4,979,220	17,979,179	14,728,179	12,360,038	13,150,087
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:

Technology Infrastructure	2012-13	2013-14	2014-15	2015-16	2016-17
One-time costs					
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		
On-going costs					
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
Total Technology Expenditures	2,403,793	9,728,256	4,720,027	3,942,860	3,942,860
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 2012-13 and 7.5 FTE each year thereafter. The following table shows estimated increased cash fund expenditures for DOI to fund the additional staff.

Total DOI Cash Fund Expenses	2012-13	2013-14	2014-15	2015-16	2016-17
DOI Additional Staff	430,527	520,272	520,272	520,272	520,272

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

	2012-13	2013-14	2014-15	2015-16	2016-17
Total Estimated Expenditures	7,813,540	28,227,707	19,968,478	16,823,170	17,613,219
State/Cash Funds	430,527	521,172	1,558,072	15,122,823	15,854,452
Federal Funds	7,383,013	27,706,535	18,410,406	1,700,347	1,758,767

Health Benefit Exchange Act Cash Fund: The bill creates the Health Benefit Exchange Act Cash Fund to be used for the operation of the exchange. The exchange is authorized to charge assessments or user fees to health carriers or otherwise may generate funding to support its operations.

The DOI estimates about 83,000 to 100,000 enrollees need to participate in the health insurance exchange in order to make the exchange self-sustaining. The HMA report identifies several alternatives to break-even in terms of making the exchange self-sustaining. Revenue could be raised in the following ways by charging exchange users and/or insurance carriers: per member per month, per contract per month, carrier participation fee, or a per contract per month and a carrier participation fee.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	DATE	2/15/12	PHONE	471-2526
COMMENTS					
DEPT. OF INSURANCE – The agency's estimate of impact appears to be reasonable with the information currently available from the federal government.					
DEPT. OF ADMINISTRATIVE SERVICES – Concur.					

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Please complete ALL (5) blanks in the first three lines.LB⁽¹⁾ 838 FISCAL NOTEState Agency OR Political Subdivision Name: ⁽²⁾ Department of InsurancePrepared by: ⁽³⁾ Eric Dunning Date Prepared: ⁽⁴⁾ 2-13-12 Phone: ⁽⁵⁾ 1-4650

LEGISLATIVE FISCAL

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	\$7,359,973		\$27,706,356	
OTHER FUNDS			\$900	
TOTAL FUNDS	<u>\$7,790,500</u>		<u>\$28,226,628</u>	

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

Explanation of Estimate:

LB 838 (Pahls) would adopt the Nebraska Health Benefit Exchange Act. The Nebraska Health Benefit Exchange Act authorizes the Director of Insurance 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.

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
		17,979,00	14,728,17	12,360,03	
	4,979,220	0	9	8	50,046,437

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.

IT Costs	FY2012-13	FY2013-14	FY2014-15	FY2015-16	Total 4 years
Development	2,403,793	9,728,25	2,091,45	-	14,223,503
		6	4		

Ongoing	-	-	2,628,573	3,942,859	6,571,432
Total Costs	2,403,793	9,728,256	4,720,027	3,942,859	20,794,935
Non-Federal fund Source	-	-	-	3,942,859	3,942,859
Federal	2,403,793	9,728,256	4,720,027	-	16,852,076
Total Funding	2,403,793	9,728,256	4,720,027	3,942,859	20,794,935

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.

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.

	FY 2014-2015		FY 2015-2016	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	\$519,372		\$519,372	
FEDERAL FUNDS	\$18,387,366		\$1,700,347	
OTHER FUNDS	\$1,037,800		\$14,579,510	
TOTAL FUNDS	<u>\$19,944,538</u>		<u>\$16,799,229</u>	

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2012-2013 EXPENDITURES</u>	<u>2013-2014 EXPENDITURES</u>
	<u>12-13</u>	<u>13-14</u>		
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	13.25	\$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
Combined Total Exchange and NDOI	10.5	20.75	\$736,569	\$1,794,520
Benefits			\$257,778	\$628,082
Operating			\$6,707,753	\$24,964,338
Travel			\$72,400	\$87,150
Capital outlay			\$16,000	\$752,538
Aid			0	0
Capital improvements			0	0
TOTAL			\$7,790,500	\$28,226,628

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LEGISLATIVE FISCAL

2012 Legislative Bill Proposal Fiscal Note

Bill #: LB838

State Agency: Administrative Services

Prepared by: Roger Wilson

Date Prepared: 1-10-2012

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				
Total Funds	\$0	\$0	\$0	\$0

Explanation of Estimate:

LB838 provides for the establishment of a Nebraska health benefit exchange to facilitate the purchase and sale of qualified health plans in the Nebraska individual market and provides for the establishment of a Small Business Health Options Program to assist qualified small employers in Nebraska enrolling their employees in qualified health plans offered in the small group market. 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					
TOTAL					

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	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds			\$ 79,500		\$ 72,000	
Cash Funds						
Federal Funds						
Other Funds						
Total Funds			\$ 79,500		\$ 72,000	

LB 838 (Nebraska Health Benefit Exchange Act) creates the health benefit insurance exchange for purposes of meeting the requirements of the Patient Protection and Affordable Care Act. The exchange may enter into information-sharing agreements with federal and state agencies to carry out its responsibilities under the act.

The Department may be asked to validate (income) eligibility for those people wanting to join the health exchanges after 2014, 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

<u>Class Code</u>	<u>Classification Title</u>				<u>12-13</u>	<u>13-14</u>	<u>14-15</u>	<u>12-13</u>	<u>13-14</u>	<u>14-15</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>			
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.....										