

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2009-10		FY 2010-11	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(See Below)		(See Below)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 326 changes the Comprehensive Health Insurance Pool Act (CHIP). The bill requires the pool to cover gastric bypass surgery. The bill also requires the board for the pool to establish an independent review process to have medical professionals review coverage disputes under the act. The Director of the Department of Insurance is to establish standards for the selection of the reviewers and operation of independent reviews.

It is assumed the establishment of an independent review process will have minimal fiscal impact in terms of claims paid pursuant to the CHIP Act. The establishment of standards by the Department of Insurance can be accomplished with existing staff and resources of the department.

CHIP is insurance coverage that is available to persons who otherwise are not able to obtain health insurance. The coverage is funded with premiums paid by policyholders and by premium taxes paid by health insurance companies.

The requirement for CHIP to provide insurance coverage for gastric bypass surgery will increase the expenditures of the CHIP program to pay for such surgeries. The Department of Insurance (DOI) indicates the cost of gastric bypass surgery ranges from \$20,000 to \$55,000 per surgery. It is possible that additional individuals will enroll in the CHIP to gain access to such coverage since it is not generally available in the private sector. Factoring in an increase in pool participation, actuarial staff at DOI project increased annual claims for the CHIP program of \$250,000 to \$600,000 per year.

Premiums paid by policyholders will cover a small portion of estimated annual increase in claims costs through an adjustment made in the premium rate for the CHIP program. The premium rates that may be charged for CHIP coverage are capped at 135% of the rates established for individual standard risks based upon the average rates charged by the five insurers providing the largest amount of individual health insurance in the state.

Any claims cost for bypass surgeries in excess of the additional premiums received from policyholders will be paid with premium tax receipts from health insurers that are deposited in the CHIP Distributive Fund. Increased expenditures by the CHIP Distributive Fund for gastric bypass surgeries reduce the amount of premium tax revenue that is annually distributed to the state and political subdivisions. Currently, 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%). The specific revenue losses for these entities depends upon future costs of gastric bypasses and any increased revenue from premium rate increases for CHIP program that can be used to offset claims. Any loss of revenue for school districts decreases resources for state aid purposes which increases state aid by a like amount two years later.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS			
DEPT. OF INSURANCE – Agree with agency' estimate of impact.			