



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3747 Introduced on February 14, 2017
Author: Ballentine
Subject: Ryan’s Law
Requestor: House Labor, Commerce, and Industry
RFA Analyst(s): Gable
Impact Date: March 30, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	See Below	\$0
Other and Federal	See Below	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	See Below	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

See also attached actuarial report produced for the Department of Insurance pursuant to §2-7-73.

Fiscal Impact Summary

The fiscal impact on State expenditures is primarily dependent upon legal issues involving provisions of the Protection and Affordable Care Act of 2010 (ACA). It may also be affected by many uncertainties in service utilization, eligibility, and administrative issues. If it is determined that the State is responsible for defraying the cost of the increased benefits, the cost is estimated to be \$2,153,146 in FY 2017-18. Legislative direction, however, for the administration of these payments would also be required.

Additionally, the impact on General Fund insurance premium tax revenue depends upon resolution of the legal issues described below.

Explanation of Fiscal Impact

Introduced on February 14, 2017

State Expenditure

This bill expands mandated autism spectrum disorder (ASD) insurance coverage by deleting existing age limits. Furthermore, the bill expands the definition of insurer to include admitted and non-admitted insurers and expands the definition of the health insurance plan to include all health insurance policies and health benefit plans for the purposes of ASD coverage.

Under the ACA, the State may be required to pay the cost of private insurers for mandated additional benefits. This determination rests on whether the services required by the bill are considered a new additional benefit or an extension of current benefits. At this time, the answer

to these legal questions is unclear. There is no history of a state triggering the reimbursements or precedent for state payments for expanded coverage requirements, and the responsibilities of a state with regard to this component of the ACA have not been established. If State liability is established, then the estimated costs are described below. If litigation is required to resolve this issue, then additional expenses may be incurred.

Public Employee Benefit Authority (PEBA). PEBA indicates there would be no expenditure impact on the General Fund, Other Funds, or Federal Funds. According to PEBA, limits regarding coverage related to age and dollar amounts in the State Health Plan for ASD were removed for plan year 2015. Therefore, no additional impact is expected.

Department of Insurance. The bill would expand the coverage requirements for ASD. The department retained a consulting firm, L&E Actuaries & Consultants, to evaluate the potential cost of expanding this coverage. The actuarial report assumes that the State will be required to cover the additional cost for these expanded benefits for all individuals in a qualified health plan (QHP). Any differences in the ultimate determination of eligible individuals may significantly impact the estimated expenditures. The 2015 actuarial report provides a broad range for the expenditure estimate because of the uncertainty surrounding the assumptions and data reviewed and utilized. We updated this report to FY 2017-18 using growth rates determined by the actuary. Based on the limited data available and under the assumptions outlined in the actuarial report, the estimate of the cost is \$2,153,146, including projected administrative costs of \$230,694 based on the assumption administrative costs are twelve percent of benefits. However, the potential range of the impact on expenditures for the State may be as high as \$9,302,196 for FY 2017-18 given the inherent variability in the underlying assumptions on disease prevalence, service utilization, and eligibility. The referenced actuarial report is attached.

Additionally, if the State is responsible for the cost of these benefits, legislative direction is needed to provide the department with instruction on the method of reimbursement that is to be used and the appropriations for the reimbursements. The Department of Insurance would require additional authorization to establish reimbursement procedures for the expanded coverage and additional appropriations for administration of the program. The department would need to establish a procedure for identifying individuals eligible for reimbursement and subsequently reimbursing the insured or the insurer for the cost of the expanded coverage.

State Revenue

Again, the impact upon State revenue will depend upon the legal conclusion as to whether this law expands current benefits or mandates a new benefit. If this law is an expansion of current benefits and the State is not required to defray the cost, any increase in premiums for private insurers as a result of the law would increase insurance premiums to offset the estimated cost of \$2,153,146 in FY 2017-18. These increased premiums would be subject to a 1.25 percent premium tax credited to the General Fund. The additional benefits times the premium tax would generate \$26,914 in General Fund insurance premium tax over a full year. Since premium taxes are reported quarterly beginning in March for the previous calendar year, six months of premium taxes would be collected in FY 2017-18 and the remaining six months would be remitted to the General Fund in FY 2018-19 for calendar year 2017 benefits.

If the law is determined to be a mandated new benefit and the State is determined to be liable for the cost, then the premiums would not increase and there would be no increase in General Fund revenue.

Local Expenditure

N/A

Local Revenue

N/A



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