



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0009 Introduced on January 10, 2017
Author: Hutto
Subject: Medical Expense Policy
Requestor: Senate Banking and Insurance
RFA Analyst(s): Gable
Impact Date: January 25, 2017

Estimate of Fiscal Impact

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

Fiscal Impact Summary

This bill would have an undetermined expenditure impact on the General Fund for the Department of Insurance reviewing insurance policies affected by the bill. The bill is expected to increase General Fund premium insurance tax revenue. However, the amount is undetermined, pending additional information from the Department of Insurance. There would be no impact on Federal Funds or Other Funds.

Explanation of Fiscal Impact

Introduced on January 10, 2017

State Expenditure

This bill requires insurers to cover matters pertaining to intoxicants and narcotics under medical expense policies by disallowing the provision in §38-71-370(9).

The mandated benefit for coverage on matters pertaining to intoxicants and narcotics was in place prior to December 31, 2011. Therefore, it is considered an essential health benefit and is not subject to defrayment by the State. (45 CFR 155.170). This bill does not create a new mandated benefit. Instead, it disallows an exception for a previously established mandated benefit.

Based on the initial response from the Department of Insurance (DOI), the bill would require every policy form that falls within the category of medical expense policy and currently includes the provision allowed by §38-71-370(9) to be re-filed by insurers. These policies would have to be reviewed and approved by the department. Additionally, insurers would need to refile their

rates to reflect the anticipated increase in premiums associated with the increase in claims coverage. DOI would also have to review and approve the new rates.

Based on data from the 2015 Annual Statements of Insurers, at least 732,000 covered lives in policies would meet the bill's definition of medical expense policy. However, not all of the policies within the 732,000 mentioned, would currently include the provision from §38-71-370(9). Also, there are other policies that were not included in the 2015 Annual Statement of Insurers that would fall under the bill's definition of medical expense.

DOI anticipates the non-recurring expenditure impact of this bill would be significant. DOI would have to review and approve an undetermined number of policies and rates and need to hire contractors to assist in the review in order to meet the effective date of the legislation. Given the uncertainty in the number of policies to review, the exact amount of the expenditure increase is undetermined.

State Revenue

The anticipated increase in premiums would increase General Fund premium tax collections in FY 2017-18. DOI is working to determine the amount of the increase to an individual's premium and the number of policies affected. The exact amount of the increase is pending, contingent upon additional information from DOI.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director