



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H. 4214	Introduced on March 7, 2019
Author:	Rose	
Subject:	Medical Care for Children with Autism	
Requestor:	House Medical, Military, Public, and Municipal Affairs	
RFA Analyst(s):	Miller and Shuford	
Impact Date:	April 16, 2019	Updated for Additional Agency Response

Fiscal Impact Summary

The fiscal impact of this bill depends upon the determination of defrayment. Under the Affordable Care Act (ACA), a state is responsible for defraying the cost of newly mandated insurance coverage, unless an exception applies. If the State is required to defray, this bill will increase state expenditures by approximately \$1,166,000 to cover the additional insurance coverage for autistic spectrum disorder (ASD). Because insurance contracts run on a calendar basis the General Fund expenditure impact will be one half, \$583,000, in FY 2019-20. In FY 2020-21, the General Fund expenditure impact will increase by another \$583,000 for a total recurring impact of \$1,166,000, beginning in FY 2020-21. Also, if litigation is required to resolve the defrayment issue, then additional expenses may be incurred. If the State is not responsible for defrayment there will be no increase in General Fund expenditures.

This bill will have no expenditure impact for the Department of Insurance (DOI), as it does not change the current responsibilities of the agency. However, if the State is required to defray and DOI is placed in charge of the distribution of funds to the insurer, there may be an undetermined increase in the General Fund, beginning in FY 2020-21, because of the increase of administrative costs to manage defrayment.

This bill will have no expenditure impact for the Public Employee Benefit Authority (PEBA) because all age limits and the limits regarding coverage related to age and dollar amounts in the State Health Plan for ASD were removed for the health care plan in 2015.

This bill may increase General Fund and Other Funds insurance premium tax revenue by an undetermined amount, if non-qualified health plans increase premiums for additional mandated insurance coverage for ASD. Additionally, if the State is not subject to defrayment, General Fund and Other Funds insurance premium tax revenue will increase by approximately \$14,247 and \$328 respectively, beginning in FY 2020-21, due to the increase in premiums for qualified health plans (QHPs).

Explanation of Fiscal Impact

Updated for Additional Agency Response on April 16, 2019

Introduced on March 7, 2019

State Expenditure

This bill adds a uniform definition for autism spectrum disorder (ASD) in the South Carolina Intellectual Disability, Related Disabilities, Head Injuries, and Spinal Cord Injuries Act §44-20-10 et seq. and the Accident and Health Insurance §38-71-10 et seq.

Current law defines autism or ASD in a slightly different manner under each of these code sections. The modified definition reflects the current medically accepted definition of ASD and does not alter the function of §§44-20-10 et seq. and 38-71-10 et seq. It does not fiscally or operationally impact the Department of Disabilities and Special Needs or the Department of Insurance. Therefore, the updated definition would not have an expenditure impact for these agencies.

Additionally, this amended bill would expand the required 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. Further, this bill removes the age limits for diagnoses to be eligible for coverage and the age limit for coverage. Additionally, behavioral therapy is no longer subject to a maximum spending limit. This bill takes effect upon the signing of the Governor.

Current law excludes Individual and Small Group health insurance markets from the definition of insurer and health care plan. Additionally, a person must be diagnosed by the age of 8 to be eligible to receive coverage and insurers must cover a person until he is 18. Also, under current law behavioral therapy is covered only up to \$50,000 plus inflation.

Under the Affordable Care Act (ACA), the State may be required to pay the cost of the additional coverage for qualified health care plans. This determination rests on whether the services required by the bill are considered a new additional benefit that is not considered an essential health 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.

Department of Insurance (DOI). The bill will expand the coverage requirements for ASD, beginning in July 2019. Pursuant to §2-7-73, DOI provided an actuarial report performed by Lewis and Ellis, Inc. analyzing the impact of this bill. The actuarial analysis is attached to this fiscal impact. Because insurance coverage runs on a calendar basis, the actuarial report assumes that new coverage will begin in January 1, 2020. According to the actuarial report the total expenditure increase to qualified health plans (QHP) from January 1, 2020, to December 31, 2020, will be approximately \$1,166,000.

The analysis specifies that due to the inherent variability in the underlying assumptions of the analysis, the increase of \$1,166,000 to QHPs is an estimate. Taking into consideration all of the variability, with a 95 percent statistical confidence, the range of the fiscal impact for one full year is between \$644,000 and \$3,960,000.

Because the cost of ASD treatment varies greatly for children and adults, the actuarial analysis considered the increase in costs for coverage of children under the age of 18 and for adults between the ages of 18 and 64. The analysis determined the estimated number of individuals in each age group within QHPs, the percentage of individuals who utilize ASD services, and the average annual cost of treatment. The table below displays the estimated variables used by the actuarial analysis.

QHP Enrollees under 18	21,900
Percentage Utilizing ASD Services	0.1838%
Average Annual Cost	\$20,000
Total Cost for Enrollees under 18	804,635
QHP Enrollees ages 18 to 64	197,000
Percentage Utilized ASD Services	0.0300%
Average Annual Cost	\$4,000
Total Cost of Enrollees ages 18 to 64	\$236,637
Total Annual Cost of ASD services	\$1,041,271

Additionally, there will be an increase in administrative costs due to the increased coverage. Administrative costs are approximately 12 percent of the new coverage cost, which is approximately \$125,000, resulting in total annual cost increase of \$1,166,000.

As discussed above, the impact of this bill depends upon whether the State is subject to defrayment under the ACA. The issue of defrayment will determine who will pay the increased cost of insurance coverage for ASD. If the State is subject to defrayment, this bill will result in an increase in General Funds expenditures to offset the increase in expenses of the QHPs. Because insurance contracts run on a calendar basis the General Fund expenditure impact will be one half, \$583,000, in FY 2019-20. In FY 2020-21, the General Fund expenditure impact will increase by another \$583,000 for a total recurring impact of \$1,166,000, beginning in FY 2020-21. If the State is not subject to defrayment, Revenue and Fiscal Affairs (RFA) assumes the increase in annual cost of coverage will result in a matching increase in premiums. Therefore, the annual increase in premiums due to the new mandated coverage under this bill will total \$1,166,000. This will result in no expenditure impact to the State.

In addition to the QHPs, there are non-qualifying health plans that may be mandated to cover ASD due to the broadened definition of insurer and health plan and the removal of the age limitations for diagnoses as well as insurance coverage for ASD. The analysis does not consider the fiscal impact to non-qualifying health plans. Non-qualified health plans do not recover increased mandated coverage through defrayment under the ACA. Therefore, any increased expenses for non-qualified health plans will result in an increase in premiums. RFA does not have sufficient data to estimate the potential increase in expenditures for non-qualified health plans. Therefore, the potential increase in expenditures, and the matching increase in premiums, if any, for non-qualifying health plans is unknown, but will have no expenditure impact to the General Fund, Other Funds, or Federal Funds.

Public Employee Benefit Authority (PEBA). This bill will expand the coverage required for ASD beginning in July 2019. PEBA indicates there will be no expenditure impact because all age limits and spending caps were removed from the State Health Plan in 2015. Therefore, no expenditure impact is expected for PEBA.

State Revenue

The increase in insurance premium tax revenue totals 1.25 percent of any increase in insurance premiums. Insurance premium taxes are allocated 97.75 percent to the General Fund and 2.25 percent to Other Funds. The full increase in premium taxes for a calendar year, due to an increase in premiums, is collected in March of the year following. Therefore, the full increase in premium taxes will be collected in March 2021, resulting in an increase in General Fund and Other Funds insurance premium taxes beginning in FY 2020-21.

As discussed above, the increase in expenditures for non-qualified health plans are not subject to defrayment and therefore will result in an increase in premiums. This increase in premiums will also increase General Fund and Other Funds insurance premium taxes. However, as the increase in expenditures for non-qualified health plans is unknown, the increase in premiums and General Fund and Other Funds insurance premium taxes is undetermined.

The impact on insurance premium tax revenue for QHPs depends upon the legal conclusion of whether the State has to defray costs of coverage. If the State defrays the cost, then premiums for QHPs will not increase and the insurance premium tax will only increase by 1.25 percent of the increase in premiums for non-qualified health plans.

If the mandated coverage for QHP is not defrayed by the State, the increase in premiums due to the increased expenditures for QHPs will result in an increase in insurance premium tax revenue. As discussed above, the estimated annual increase in premiums is \$1,166,000. Therefore, the total increase in premium insurance tax revenue for QHP's is \$14,575. Insurance premium taxes are allocated 97.75 percent to the General Fund and 2.25 percent to Other Funds and will be collected in March of 2021. Therefore, in addition to any increase in revenues because of non-qualified health plans premiums, this bill may increase General Fund and Other Funds premium tax revenue by \$14,247 and \$328 respectively, beginning in FY 2020-21, dependent upon whether the State defrays the increased cost of coverage for QHPs.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on March 7, 2019

State Expenditure

This bill adds a uniform definition for autism spectrum disorder (ASD) in the South Carolina Intellectual Disability, Related Disabilities, Head Injuries, and Spinal Cord Injuries Act §44-20-10 et seq. and the Accident and Health Insurance §38-71-10 et seq. Additionally, this amended bill would expand the required 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. This bill takes effect upon signing of the Governor.

Current law defines autism or ASD in a slightly different manner under each of these code sections. The modified definition reflects the current medically accepted definition of ASD and does not alter the function of §§44-20-10 et seq. and 38-71-10 et seq. It does not fiscally or operationally impact the Department of Disabilities and Special Needs or the Department of Insurance. Therefore, the updated definition would not have an expenditure impact for these agencies.

This bill also broadens ASD insurance coverage by broadening the definition of insurer and health insurance plan. Further, this bill removes the age limits for diagnoses to be eligible for coverage and the age limit for coverage. Additionally, behavioral therapy is no longer subject to a maximum spending limit.

Current law includes a narrower definition of insurer and health care plan. Additionally, a person must be diagnosed by the age of eight to be eligible to receive coverage and insurers must cover a person until he is eighteen. Also, under current law behavioral therapy is covered only up to \$50,000 plus inflation.

Under the Affordable Care Act (ACA), the State may be required to pay the cost of the additional coverage for qualified health care plans. 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.

Department of Insurance (DOI). The bill will expand the coverage requirements for ASD beginning in July 2019. DOI is working to provide an actuarial analysis, as required by §2-7-73 for bills mandating health insurance coverage. Therefore, the expenditure impact of this bill is pending, contingent upon a response from DOI.

Public Employee Benefit Authority (PEBA). This bill will expand the coverage required for ASD beginning in July 2019. PEBA indicates there will be no expenditure impact because all age limits and spending caps were removed from the State Health Plan in 2015. Therefore, no expenditure impact is expected for PEBA.

State Revenue

The impact on insurance premium tax revenue will depend upon the legal conclusion of whether the newly mandated benefit is considered an essential benefit under the ACA. If the coverage is determined to be a mandated new benefit, and the State defrays the cost, then the premiums will

not increase. Insurance premium tax revenue will not increase if the premiums do not increase and there will be no increase in General Fund revenue or Other Funds revenue.

If the mandated coverage is not defrayed by the state, any increase in premiums for private insurers as a result of this bill would increase insurance premiums. An increase in premiums would increase premium tax. The premium tax is 1.25 percent. Premium taxes are paid quarterly and is allocated as follows: 1 percent to the South Carolina Forestry Commission, 1 percent to the aid to fire district account within the State Treasury, 0.25 percent to the aid to emergency medical services regional councils within the Department of Health and Environmental Control (DHEC), and the remaining 97.75 percent to the General Fund.

DOI is working to provide an actuarial analysis, as required by §2-7-73 for bills mandating health insurance coverage which should include an estimate for the increase in premiums. Therefore, the revenue impact of this bill is pending, contingent upon a response from DOI.

Local Expenditure

N/A

Local Revenue

N/A



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