Bill Number:	S. 0368 Introduced on January 15, 2019
Author:	Climer
Subject:	Insurance Companies and Health Maintenance Organizations
Requestor:	Senate Banking and Insurance
RFA Analyst(s):	Miller and Shuford
Impact Date:	March 12, 2019 Updated for Additional Agency Response

Fiscal Impact Summary

The Department of Insurance (DOI) estimates the total increase in cost for private market insurers to provide insurance coverage for the required tests for cardiovascular disease will range from $541,162 to $811,742 annually. Since the effective date of this bill is January 1, 2020, expenditures for FY 2020-21 will be for one-half of the fiscal year and total between $270,581 and $405,871. For FY 2021-22 and beyond, the annual expenditure increase will total between $541,162 and $811,742, annually.

If the state is subject to defrayment, the state will be responsible for reimbursing the increased expenses of the qualified health plans, totaling between $275,223 and $412,834 annually. Since the effective date of this bill is January 1, 2020, General Fund expenditures to defray the cost of the qualified health plans for FY 2020-21 will be for one-half of the fiscal year and total between $137,612 and $206,417. For FY 2021-22 and beyond, the General Fund expenditure to defray the increased costs to the qualified health plans will total between $275,223 and $412,834, annually.

The Public Employee Benefits Authority (PEBA) indicates that the State Health Plan would provide insurance coverage for the required tests for cardiovascular disease for approximately 39,000 members. Since the effective date of this bill is January 1, 2020, expenditures for FY 2020-21 will be for one-half of the fiscal year and total of $844,500. Of this total, $198,500 would be for coverage of the tests and $646,000 would be for coverage of the subsequent medical treatment based on the test results. As 51.4 percent of the contributions to the State Health Plan are State appropriated funds, General Fund expenditures will increase by $434,100. Other Funds and Federal Funds expenditures by state agencies will increase by $206,100, or 24.4 percent of the total. Contributions to PEBA from local governments for their employees covered by the State Health Plan will increase by the remaining $204,300, or 24.2 percent of the total.

For FY 2021-22 and beyond, the annual expenditure increase will total $1,689,000 per fiscal year. Of this total, $397,000 would be for coverage of the tests and $1,292,000 would be for coverage of the subsequent medical treatment based on the test results. As 51.4 percent of the contributions to the State Health Plan are State appropriated funds, General Fund expenditures will increase by $868,100. Other Funds and Federal Funds expenditures by state agencies will increase by $412,100, or 24.4 percent of the total. Contributions to PEBA from local governments for their employees covered by the State Health Plan will increase by the remaining $408,800, or 24.2 percent of the total additional insurance coverage contributions.

Insurance premium tax increase due to the increase in premiums, assuming the state does not have to defray will total between $6,765 and $10,147. General Fund premium tax revenue is 97.75 percent of the total or between $6,579 and $9,868. Other Funds premium tax revenue is 2.25 percent of the total premium tax revenue or between $186 and $279. The increase in the insurance premium tax due to the increase in premiums, if the state is subject to defrayment, totals between $3,324 and 4,986. General Fund premium tax revenue is 97.75 percent of the total or between $3,233 and 4,986. Other Funds premium tax revenue is 2.25 percent of the total premium tax revenue or between $91 to 137. The insurance premium increase due to this bill will be collected in FY 2020-21 and each year thereafter.

This fiscal impact has been updated to include a response from DOI and the updated premium tax revenue calculation.

Explanation of Fiscal Impact

Updated for Additional Agency Response on March 12, 2019
Introduced on January 15, 2019
State Expenditure
This bill requires every health maintenance organization or insurance contract issued in the state to cover tests for early detection of cardiovascular disease for insured males 45 to 76 years old and insured females 55 to 76 years old. The insured must be diabetic and have a risk of developing coronary heart disease, based on a Framingham Heart Study coronary prediction algorithm score of intermediate or higher. The bill specifies minimum coverage must provide for certain non-invasive screening up to $200, every five years. This bill takes effect on January 1, 2020.

The Affordable Care Act of 2010 (ACA) requires the State to defray the cost of private insurers for mandated additional benefits unless the benefit is an essential benefit under the ACA, among other exceptions. 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 state would have to pay the increased costs of coverage. If litigation is required to resolve this issue, then additional expenses may be incurred.

Department of Insurance (DOI). Pursuant to §2-7-73, the Department of Insurance performed an actuarial analysis to determine the fiscal impact on the insurance industry for the mandated health coverage of this bill. Revenue and Fiscal Affairs (RFA) has attached DOI's actuarial analysis at the end of this fiscal impact statement. Based on the actuarial analysis, the annual cost for the required tests for cardiovascular disease will range from $541,162 to $811,742. The lower estimates assume 40 percent of insured males 45 to 75 years old and insured females 55 to 75 years old who have diabetes having an intermediate or higher risk of developing coronary heart disease based on the Framingham Heart coronary prediction algorithm. The higher estimates assume 60 percent of insured males 45 to 75 years old and insured females 55 to 75 years old who have diabetes having an intermediate or higher risk of developing coronary heart disease based on the Framingham Heart coronary prediction algorithm. The total cost applies to

ACA qualified health plans and non-qualified health plans for the individual market, small group market, and the large group market.

Insurance Group	Low (40% covered)	High (60% covered)
Qualified Health Plans	$275,223	$412,834
Non-Qualified Individual Market	$41,635	$62,452
Non-Qualified Small Group	$72,990	$109,485
Non-Qualified Large Group	$151,314	$226,971
Total	$541,162	$811,742

The attached actuarial analysis includes the calculations and assumptions DOI used to determine these estimated costs.

The qualified health plans cost may be subject to defrayment under the ACA. Therefore, if the state is responsible for defraying this bill will result in an increase in General Fund expenditures between $275,223 and $412,834 annually. Since the effective date of this bill is January 1, 2020, General Fund expenditures to defray the cost of the qualified health plans for FY 2020-21 will be for one-half of the fiscal year and total between $137,612 and $206,417. For FY 2021-22 and beyond, the General Fund expenditure to defray the increased costs to the qualified health plans will total between $275,223 and $412,834, annually. Additionally, the state may be subject to legal costs to determine whether or not defrayment applies.

This portion of the fiscal impact has been updated to include a response from DOI.

Public Employee Benefits Authority. PEBA indicates that the State Health Plan would provide insurance coverage for the required tests for cardiovascular disease for approximately 39,000 members. Anticipating that 20 percent will seek coverage on an annual basis, PEBA estimates that the additional expense to the State Health Plan will total $1,689,000 each year beginning in January 1, 2020. Of this total, $397,000 would be for coverage of the tests and $1,292,000 would be for coverage of the subsequent medical treatment based on the test results.
As 51.4 percent of the contributions to the State Health Plan are State appropriated funds, General Fund expenditures will increase by $868,100. Other Funds and Federal Funds expenditures by state agencies will increase by $412,100, or 24.4 percent of the total. Contributions to PEBA from local governments for their employees covered by the State Health Plan will increase by the remaining $408,800, or 24.2 percent of the total additional insurance coverage contributions.

Since the effective date of this bill is January 1, 2020, expenditures would amount to one-half of the estimates above for FY 2020-21, or a total of $844,500. Of this total, $198,500 would be for coverage of the tests and $646,000 would be for coverage of the subsequent medical treatment based on the test results. As 51.4 percent of the contributions to the State Health Plan are State appropriated funds, General Fund expenditures will increase by $434,100. Other Funds and Federal Funds expenditures by state agencies will increase by $206,100, or 24.4 percent of the total. Contributions to PEBA from local governments for their employees covered by the State Health Plan will increase by the remaining $204,300, or 24.2 percent of the total. For FY 2021-

22 and beyond, the annual expenditure increase will total $1,689,000 per fiscal year as detailed above.

State Revenue
Again, the impact upon State revenue will depend upon the legal conclusion of whether the newly mandated benefit is considered an essential benefit under the ACA. If the mandated coverage is not defrayed by the state, the increase in expenditures for private insurers as a result of this bill will 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: one percent to the South Carolina Forestry Commission, one percent to the aid to fire district account within the State Treasury, one quarter of one percent to the aid to emergency medical services regional councils within the Department of Health and Environmental Control (DHEC), and the remaining ninety-seven and three-fourths percent to the General Fund.

If the coverage is determined to be an essential benefit and is not subject to defrayment then the increase in premiums totals between $541,162 and $811,742. The insurance premium tax revenue increase is 1.25 percent and totals between $6,765 and $10,147. The General Fund revenue increases 97.75 percent of the total premium tax revenue which totals between $6,579 and $9,868. The Other Funds increase is 2.25 percent of the premium tax revenue which totals between $186 and $279. Because the collection of premium tax revenues results in a final balancing payment in March of the following year, the full increase in General Fund and Other Funds premium tax revenue due to this bill will begin in FY 2020-21 and each year thereafter.

If the coverage is determined to be a mandated new benefit and the State is liable for the cost, then the expenditures for qualified health plans that range between $275,223 and $412,834 will not increase premiums nor premium tax revenue. The remaining insurers' expenditures ranging between $265,939 and $398,908 will increase premiums by the same amount. The premium increase multiplied by the tax rate of 1.25 results in an increase of insurance premium tax revenue that ranges from $3,324 to $4,986. The General Fund revenue increases 97.75 percent of the total premium tax revenue which totals between $3,324 and $4,986. The Other Funds increase is 2.25 percent of the premium tax revenue which totals between $91 and $137. Because the collection of premium tax revenues results in a final balancing payment in March of the following year, the full increase in General Fund and Other Funds premium tax revenue due to this bill will begin in FY 2020-21 and each year thereafter.

This portion of the fiscal impact has been updated to include updated calculation for the insurance premium increase based on the response provided by DOI.

Local Expenditure
N/A

Local Revenue
N/A

Updated for Additional Agency Response on February 14, 2019
Introduced on January 15, 2019
State Expenditure

This bill requires every health maintenance organization or insurance contract issued in the state to cover tests for early detection of cardiovascular disease for insured males 45 to 76 years old and insured females 55 to 76 years old. The insured must be diabetic and have a risk of developing coronary heart disease, based on a Framingham Heart Study coronary prediction algorithm score of intermediate or higher. The bill specifies minimum coverage must provide for certain non-invasive screening up to $200, every five years. This bill takes effect on January 1, 2020.

The Affordable Care Act of 2010 (ACA) requires the State to defray the cost of private insurers for mandated additional benefits unless the benefit is an essential benefit under the ACA, among other exceptions. 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 state would have to pay the increased costs of coverage. If litigation is required to resolve this issue, then additional expenses may be incurred.

Department of Insurance (DOI). 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 Benefits Authority. PEBA indicates that the State Health Plan would provide insurance coverage for the required tests for cardiovascular disease for approximately 39,000 members. Anticipating that 20 percent will seek coverage on an annual basis, PEBA estimates that the additional expense to the State Health Plan will total $1,689,000 each year beginning in January 1, 2020. Of this total, $397,000 would be for coverage of the tests and $1,292,000 would be for coverage of the subsequent medical treatment based on the test results.
As 51.4 percent of the contributions to the State Health Plan are State appropriated funds, General Fund expenditures will increase by $868,100. Other Funds and Federal Funds expenditures by state agencies will increase by $412,100, or 24.4 percent of the total. Contributions to PEBA from local governments for their employees covered by the State Health Plan will increase by the remaining $408,800, or 24.2 percent of the total additional insurance coverage contributions.

Since the effective date of this bill is January 1, 2020, expenditures would amount to one-half of the estimates above for FY 2020-21, or a total of $844,500. Of this total, $198,500 would be for coverage of the tests and $646,000 would be for coverage of the subsequent medical treatment based on the test results. As 51.4 percent of the contributions to the State Health Plan are State appropriated funds, General Fund expenditures will increase by $434,100. Other Funds and Federal Funds expenditures by state agencies will increase by $206,100, or 24.4 percent of the total. Contributions to PEBA from local governments for their employees covered by the State Health Plan will increase by the remaining $204,300, or 24.2 percent of the total. For FY 2021-22 and beyond, the annual expenditure increase will total $1,689,000 per fiscal year as detailed above.

This portion of the fiscal impact statement has been updated to include a response from PEBA.

State Revenue
Again, the impact upon State revenue will depend upon the legal conclusion of whether the newly mandated benefit is considered an essential benefit under the ACA. 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 one and one quarter percent. Premium taxes are paid quarterly and is allocated as follows: one percent to the South Carolina Forestry Commission, one percent to the aid to fire district account within the State Treasury, one quarter of one percent to the aid to emergency medical services regional councils within the Department of Health and Environmental Control (DHEC), and the remaining ninety-seven and three-fourths percent to the General Fund. Premium taxes are paid quarterly. The first three payments, paid in June, September, and December of the current year, are estimated using the prior year's actual tax liability. The final payment is made in March of the following year and is the difference between the actual premium tax liability owed in that year and the prior payments made. Insurance companies may choose to pay more than their estimated quarterly payments to offset any anticipated increase in premium tax liability in the current year. RFA assumes no insurance company will choose to pay more than their estimated quarterly payments due to increased premiums from this bill. 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.

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

Local Expenditure
This bill requires every health maintenance organization or insurance contract issued in the state to cover tests for early detection of cardiovascular disease for certain insured individuals. This bill takes effect on January 1, 2020.

As described above, PEBA indicates that the State Health Plan would provide insurance coverage for the required tests for cardiovascular disease for approximately 39,000 members. A portion of these expenditures will be funded through local government contributions for their employees covered by the State Health Plan. For FY 2020-21, we anticipate that expenditures by PEBA for the additional insurance coverage that is funded through local government contributions will increase by $204,300, or 24.2 percent of the total increase as detailed above. For FY 2021-22 and beyond, the annual local government expenditure increase for the additional insurance coverage will total $408,800 per fiscal year, or 24.2 percent of the total additional insurance coverage contributions.

Local Revenue
N/A

Introduced on January 15, 2019

State Expenditure

This bill requires every health maintenance organization or insurance contract issued in the state to cover tests for early detection of cardiovascular disease for insured males 45 to 76 years old and insured females 55 to 76 years old. The insured must be diabetic and have a risk of developing coronary heart disease, based on a Framingham Heart Study coronary prediction algorithm score of intermediate or higher. The bill specifies minimum coverage must provide for certain non-invasive screening up to $200, every five years. This bill takes effect on January 1, 2020.

The Affordable Care Act of 2010 (ACA) requires the State to defray the cost of private insurers for mandated additional benefits unless the benefit is an essential benefit under the ACA, among other exceptions. 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 state would have to pay the increased costs of coverage. If litigation is required to resolve this issue, then additional expenses may be incurred.

Department of Insurance (DOI). 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 Benefits Authority (PEBA). PEBA is working to provide an estimated fiscal impact for this bill. Therefore, the expenditure impact of this bill is pending, contingent upon a response from PEBA.

State Revenue

Again, the impact upon State revenue will depend upon the legal conclusion of whether the newly mandated benefit is considered an essential benefit under the ACA. 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 one and one quarter percent. Premium taxes are paid quarterly and is allocated as follows: one percent to the South Carolina Forestry Commission, one percent to the aid to fire district account within the State Treasury, one quarter of one percent to the aid to emergency medical services regional councils within the Department of Health and Environmental Control (DHEC), and the remaining ninety-seven and three-fourths percent to the General Fund. Premium taxes are paid quarterly. The first three payments, paid in June, September, and December of the current year, are estimated using the prior year's actual tax liability. The final payment is made in March of the following year and is the difference between the actual premium tax liability owed in that year and the prior payments made. Insurance companies may choose to pay more than their estimated quarterly payments to offset any anticipated increase in premium tax liability in the current year. RFA assumes no insurance company will choose to pay more than their estimated quarterly payments due to increased premiums from this bill. 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.

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

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director