OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: H.B. 450 of the 132nd G.A. (L_132_1097-9)

Status: In House Government Accountability and Oversight

Sponsor: Rep. Antani

Local Impact Statement Procedure Required: No

Subject: To impose review and other requirements on existing health insurance mandated benefits and to establish requirements for the creation of new mandated benefits

State & Local Fiscal Highlights

- The Department of Insurance's administrative costs would increase due to the requirements of conducting actuarial studies and producing mandated benefit reports under the bill. The Department's costs would be paid from the Department of Insurance Operating Fund (Fund 5540).
- The costs of each actuarial study would likely be in the hundreds of thousands of dollars. Studies are to be published every five years, meaning the cost would not be an annual cost. The first such study is due no later than January 1, 2024.
- The bill would require the Department of Health to provide administrative support for the Health Care Mandated Benefits Review Committee, established by the bill, which would increase the Department's administrative costs. The bill does not specify whether members of the Committee are to receive compensation or reimbursement of expenses. The Department's costs would be paid from the Central Support Indirect Costs Fund (Fund 2110) and various GRF line items.
- The bill would require the Legislative Service Commission to prepare a mandate analysis for any bill containing a mandated benefit that is introduced in the General Assembly. Administrative costs of the Commission may therefore increase. The Commission's costs would be paid from the GRF.
- The bill will have no direct fiscal effect on any of the state's political subdivisions.

Detailed Fiscal Analysis

Department of Insurance – actuarial study and report on existing mandated benefits

The bill modifies the existing requirement that the Superintendent of Insurance must conduct an actuarial study on the costs of all health care mandates enacted in state law. Under existing law, the study requirement applies to mandated benefits imposed on all group and individual health benefit plans not subject to federal law. The bill requires the Superintendent to conduct an actuarial study to determine the financial

impact of all health care mandated benefits.[1] Each such study must include a determination of the extent to which mandated benefits increase or decrease the health insurance premiums and administrative expenses for policyholders and also the potential benefits or savings to policyholders resulting from prevention or early detection of disease or illness related to such coverage.

The first required study would be due by January 1, 2024, with subsequent studies required every five years thereafter. Under existing law, the study must be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives; in addition to the existing distribution requirement, the bill requires that the Superintendent make a copy of the most recent study available to the public on the Department of Insurance's website. The bill also requires the Superintendent to compile and make available to the public on the Department's website a list of all health care mandated benefits contained in the Revised Code. The list must be updated at least once a year.

The bill would also require the Department to complete a report for every bill considered by the General Assembly that contains a health care mandated benefit. The report must identify which market segments the bill would apply to, and include the approximate number and percentage of Ohioans that would be covered by the proposed mandated benefit. The report must be delivered to the chairperson and ranking minority member of any legislative committee to which the bill was referred. Also, the report must be submitted to the Director of the Legislative Service Commission (LSC) by not later than 30 days after receiving a notification from the LSC Director (described below).

The bill requires the Superintendent to adopt any necessary rules to carry out the bill's requirements.

The bill requires that health benefit plans, including potentially Medicaid managed care plans, disclose certain information regarding health care mandated benefits to plan members in their premium invoices and statements.

Legislative Service Commission – new mandated benefits

The bill requires the LSC Director, within two weeks of the introduction of a bill that amends or repeals any portion of Chapter 1751. or Chapter 3923. of the Revised Code, to make a determination whether the bill contains a mandated benefit. If the Director determines that the bill does include such a benefit, the Director must notify (1) the Superintendent of Insurance that the Superintendent must prepare the report required above, and (2) the primary sponsor of the bill of the duty to prepare a required statement (see below). The notifications must be made within two days of making the determination.

[1] "Mandated benefit" does not include any coverage required under federal law, such as under Medicaid or the Federal Employees Health Benefits Program.

If the LSC Director determines that a bill contains a mandated benefit, the primary sponsor of such bill is required to submit to the LSC Director and the chairperson and ranking minority member of the legislative committee to which the bill was referred, a statement that does both of the following: (1) details whether any alternative approaches to addressing the alleged lack of insurance coverage for the health care product or service that is the subject of the proposed new mandated benefit were considered and (2) describes those alternative approaches, if any. The statement should also be accompanied by any studies or information on the impact on health insurance premium costs in other states that may have enacted a mandated benefit that is substantially similar to the proposed bill.

In addition, the bill requires LSC to prepare a mandate analysis of each bill that contains a mandated benefit prior to both of the following: (1) the bill being recommended for passage by the House or Senate committee to which it was referred, or (2) the bill being taken up for final consideration by either house of the General Assembly. The bill requires a mandate analysis to include three components, including inputs produced by others (i.e., a copy of the Department of Insurance report described above and a copy of the sponsor's statement), and a determination whether the mandated benefit applies to public employee benefit plans, Medicaid fee-for-service and managed care plans, or any other health plans funded by the state. The bill also prescribes the mandate analysis distribution procedures.

Health Care Mandated Benefits Review Committee

The bill creates the seven-member Health Care Mandated Benefits Review Committee to regularly review all existing health care mandated benefits, and to make recommendations regarding the repeal of any of the individual mandates. Committee members would be appointed by the Director of Health, and must be actively practicing, licensed physicians who are experts in evidence-based medicine. The bill requires the Director to furnish clerical, technical, legal, and other services to the Committee. The bill requires the Director to adopt any necessary rules to carry out the requirements related to the Committee. The bill requires the Committee to produce a report of its findings and submit the report electronically to the Governor, the President of the Senate, the Speaker of the House, and the Superintendent of Insurance. The first report would be due within two years; subsequent reports would be required every seven years thereafter.

Other provision

The bill specifies that if a proposed health care mandated benefit requires a benefit in addition to the essential health benefits specified under the federal Patient Protection and Affordable Care Act of 2010 (PPACA), the state must assume the cost of the mandated benefit as required under the federal PPACA.

Fiscal effect

The bill would increase the Department of Insurance's administrative costs due to the requirements to conduct actuarial studies and produce reports. The magnitude of the increase in costs is undetermined, but would likely be in the hundreds of thousands of dollars, though it might be spread over multiple fiscal years (see explanation in the following paragraph). Department of Insurance costs are generally paid from the Department of Insurance Operating Fund (Fund 5540). The bill does not make or increase any appropriations.

The primary cost to the Department of Insurance would be associated with the actuarial studies. LSC has experience with commissioning such studies to evaluate proposed health benefit mandates. Sub. H.B. 221 of the 123rd General Assembly required LSC to commission such studies, under specified conditions, for bills proposing health care mandates. Several such studies were commissioned during 2001. The cost of each study was several tens of thousands of dollars, with one costing nearly $120,000.[2] Presumably an actuarial study that analyzed the costs of all mandated health benefits would be at least as large as the costs of a study to analyze the costs of a single mandated benefit. The first study would be due January 1, 2024, so the cost of the study would not be an annual cost, and might be spread over five years.

The bill will also increase LSC's staff workload due to the requirement that the Commission must prepare a mandate analysis for any mandated benefit bill. A sufficient number of such bills paired with relatively short hearing schedules could make it necessary for LSC to hire an additional budget analyst to meet the required deadlines. The current salary for an entry level LSC budget analyst is about $54,000 plus fringe benefits. LSC operations are funded with the GRF.

The bill may increase the Department of Health's administrative costs due to the required administrative supports for the Health Care Mandated Benefits Review Committee. The Department's costs would be paid from the Central Support Indirect Costs Fund (Fund 2110) and various GRF line items. The bill does not specify whether the members of the Committee would be compensated or reimbursed for expenses incurred in the performance of their duties.

The bill would increase state expenditures in the future if the state enacted a new mandated benefit that requires a benefit in addition to the essential health benefits specified under the federal PPACA. Any such increase would depend on whether the General Assembly enacted such mandated benefits in the future.

The bill will have no direct fiscal effect on any of the state's political subdivisions.

[2] One study cost less than $2,000, but it was for a companion bill to another bill for which a study that cost nearly $120,000 was done.

Synopsis of Fiscal Effect Changes

The substitute bill (L_132_1097-9) adds the responsibilities for LSC and the consequent fiscal effects, which were not in the As Introduced version of the bill; the previous substitute bill adopted by the committee (L_132_1097-6) included these responsibilities but also included additional research responsibilities. Both substitute bills also shift the responsibility for appointing members of the Health Care Mandated Benefits Review Committee from the Department of Insurance to the Department of Health and require the Department of Health to provide support for the Committee.