

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 8042

BILL NUMBER: HB 2043

DATE PREPARED: Mar 3, 1999

BILL AMENDED: Mar 3, 1999

SUBJECT: Various Insurance Matters.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill provides that a current or former member of the General Assembly may choose to participate in a state employee health benefit plan or the self insurance plan established by the State Police Department.

The bill adds provisions regarding regulation of Worker's Compensation coverage providers.

The bill also requires certain employees of the Department of Insurance to attend continuing education courses.

This bill revises the composition of the Board of Directors of the Indiana Insurance Guaranty Association.

This bill also provides that a health maintenance organization (HMO) may not discriminate against a provider acting within the scope of the provider's license or certificate on the basis of the provider's license or certificate.

The bill also specifies that the Patient Compensation Fund surcharge for qualified providers other than physicians and hospitals may not exceed the actuarial risk posed to the fund by those qualified providers. It makes a conforming amendment to the Medical Malpractice Act's settlement procedure by increasing the policy limit amount from \$100,000 to \$250,000.

Effective Date: (Amended) Upon passage; July 1, 1999; January 1, 2000.

Explanation of State Expenditures: (Revised) *Health Insurance for Legislators:* The bill provides that current and former members of the General Assembly that meet certain requirements may choose to obtain health insurance coverage under the self-insurance plan established by the State Police Department or the State Personnel Department or through a prepaid health care delivery plan. At this time, there are 86 current

members of the House and 34 current members of the Senate participating in the state employee health benefit plans. (The number of retired legislators participating in the state employee plans is not determined at this time.) For legislators who would choose to switch from a state employee indemnity insurance plan to the State Police health plan, the additional cost to the state currently is \$40.56 per year per employee. The additional cost to the state will depend upon how many current legislators would choose to change to the State Police health plan. [If the opportunity to participate in the State Police health insurance plan provided sufficient incentive for a current legislator who is not currently on the state employee health plans to, now, participate in the State Police plan, the cost to the state would be \$2,216 (single plan) to \$5,495 (family plan) per legislator.)

Ultimately, the additional cost to the state will depend upon how many current legislators would choose to participate in the State Police health plan. (Retired employees are currently required to pay the entire cost of their health insurance premium, so there would be no direct impact on state costs.)

Regulation of Worker's Compensation coverage providers: This provision would increase the administrative responsibilities of the Workers Compensation Board. The Workers Compensation Board is not currently set up to perform this function. However, assuming the Board can contract with another agency, such as the Department of Insurance, expenditures should be minimal. Costs of regulation would be paid from the Department of Insurance Fund. The Department of Insurance Fund is for the purposes of providing supplemental funding for the operations of the Department, to pay the costs of hiring and employing staff, and to enable the Department to maintain accreditation by the National Association of Insurance Commissioners, and, by this bill, also paying for the proposed continuing education requirements.

Continuing Education Requirements: The provision regarding continuing education requirements for Department of Insurance employees is estimated to cost \$34,300 for continuing education courses for the 49 employees. In addition, it is estimated that each of the 49 affected Department employees will be out of the office for three days (for a total of 147 employee days).

Impact on Department of Insurance Fund: This bill allows the Department of Insurance Fund to be used to defray the costs associated with the provisions described above regarding provider regulation and continuing education requirements. As of June 30, 1998, there was \$4,423,347 M in the Department of Insurance Fund (\$3,562,204 M for operating and \$861,144 for examinations). Estimated expenditures from the Department of Insurance Fund for FY 1999, not including the requirements of this bill, are \$2,398,682 for operating and \$608,176 for examinations.

Patients Compensation Fund (PCF): Several code provisions regarding the Patients Compensation Fund were raised from \$100,000 to \$250,000 in the 1998 General Assembly. This bill changes this code provision to be consistent with those changed last year. Current statute provides for the calculation of the PCF surcharge based on the assumption that the Fund will pay only when the malpractice damages exceed \$250,000. However, this code provision, in its current form, allows a plaintiff to seek payment from the Fund if their malpractice settlement exceeds \$100,000. Passage of the provision's in this bill will make the PCF payout provisions consistent with the provisions regarding the Fund's surcharge calculation.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance, Worker's Compensation Board, State Police Department, Department of Personnel, Indiana Insurance Guaranty Association.

Local Agencies Affected:

Information Sources: Department of Administration, State Budget Committee.
Liz Carroll, Department of Insurance, 232-2406.