

**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: May 3, 1999
BILL AMENDED: Apr 29, 1999

SUBJECT: Various Insurance Matters.

FISCAL ANALYST: Alan Gossard
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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (CCR Amended) This bill makes several changes regarding various insurance matters. The bill:

- (1) 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 requires a member of the General Assembly who chooses the self insurance plan established by the State Police Department to pay the employer and employee share of the cost of the state police plan that exceeds the cost of the state employee self insurance plan. The bill also provides that a retired legislator who has served as a legislator for at least ten years and who meets certain other criteria for participation may obtain group health insurance if the retired legislator files a written request for the coverage within a certain time.
- (2) Allows insurance agent prelicensing instruction to be accomplished through self-study.
- (3) Revises the composition of the Board of Directors of the Indiana Insurance Guaranty Association.
- (4) Adds certain credit for reinsurance and reinsurance in insolvency provisions.
- (5) Provides that a named insured on a motor vehicle policy may reject uninsured and underinsured coverage for all named insureds.
- (6) Adds a dependent child's incapability to self-sustain employment because of mental disability to the reasons that continue hospital and medical coverage to a child under certain insurance policies.
- (7) Allows preexisting condition exclusions and limitations to be part of certain group policies of accident and sickness insurance for a fixed time period with respect to a disability that existed as of the effective date of the policy.

(8) Provides that a health maintenance organization 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.

(9) 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. The bill also makes a conforming amendment to the Medical Malpractice Act's settlement procedure by increasing the policy limit amount from \$100,000 to \$250,000.

(10) Establishes an interim study committee to study the Indiana Comprehensive Health Insurance Association (ICHIA).

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

Explanation of State Expenditures: (Revised) (1) *Health Insurance for Legislators:* The bill provides that current and former members of the General Assembly who 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 cannot be determined at this time.) For legislators who would choose to switch from a state employee indemnity insurance plan to the State Police health plan, any additional costs (above the costs of the New Traditional plan currently offered to state employees) are to be paid by the legislator. However, there could be some small additional cost to the state for current legislators who would choose to change to the State Police health plan from one of managed care plans with a lower state contribution. However, the maximum additional cost per year to the state would be less than \$20 per legislator. [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 \$2,175 (single plan) to \$5,455 (family plan) per legislator.]

(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.)

(6) *Dependent Child's Mental Health Coverage:* This bill requires ICHIA to continue to provide insurance coverage to a dependent unmarried child even if the child has reached the age of 19 and the child is incapable of self-sustaining employment by reason of mental illness and while the child is chiefly dependent for support and maintenance upon the person in whose name the contract is issued. The impact on the ICHIA program is expected to be nominal, if any.

The ICHIA program is funded from client premiums, as well as assessments on companies selling health insurance in Indiana. Companies that pay assessments are subsequently able to take a credit against premium taxes, gross income taxes, adjusted gross income taxes, supplemental corporate net income taxes, or any combination of these, equal to the amount of the credit. Although the possibility exists for some increased costs to the ICHIA program, and thus decreased revenues to the state, the impact is expected to be nominal.

(9) *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.

(10) ICHIA Study Committee: This bill directs the Legislative Council to establish an interim study committee to study the Indiana Comprehensive Health Insurance Association during the interim of 1999. Under current Legislative Council resolution, interim study committees are allocated \$9,000.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *(6) Dependent Child's Mental Health Coverage:* The provisions of this bill could affect costs faced by insurance companies that provide group coverage for the employees of local governments and school corporations. Increased premiums arising from these provisions, may or may not result in additional costs to local governments and school corporations, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits offered to employees. The impact on local units of government and school corporations would also differ by local unit and the particular benefit plan currently provided to employees. The impact is likely to be nominal.

(7) Preexisting Conditions Exclusions: If the additional latitude allowed insurance companies in including preexisting condition exclusions and limitations in their group insurance policies were to result in reduced premiums, local governments and school corporations might face reduced costs in the provision of health benefits to employees. However, the effect on costs would be minimal.

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance; State Police Department; Department of Personnel; Indiana Insurance Guaranty Association; Indiana Comprehensive Health Insurance Association (ICHIA); Legislative Services Agency.

Local Agencies Affected: Local Governments and School Corporations

Information Sources: Department of Administration, State Budget Committee.
Liz Carroll, Department of Insurance, 232-2406.
Jeff Hannah, Anthem, 488-6225.