

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

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6703**

**BILL NUMBER: HB 1188**

**DATE PREPARED: Jan 5, 2000**

**BILL AMENDED:**

**SUBJECT: ICHIA Amendments.**

**FISCAL ANALYST: Alan Gossard**

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**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT: State**

**Summary of Legislation:** This bill makes the following changes to the Indiana Comprehensive Health Insurance Association (ICHIA) statute:

- (1) Revises the definition of "carrier" to include persons that provide or administer health coverage.
- (2) Replaces the term "health insurance" with the term "health coverage", and defines "health coverage" to include coverage for health care services provided by various entities.
- (3) Provides that the Association may charge a late fee for overdue assessments and that the Commissioner of Insurance may revoke a certificate of authority for overdue assessments.
- (4) Allows out-of-pocket expenses incurred by an insured during the final quarter of the previous year to be counted toward the current year's deductible.
- (5) Provides that if the Association offers a prescription drug benefit, the deductible and coinsurance amounts applying to the prescription drug benefit are not subject to the general limits on coinsurance and deductibles in Association policies.
- (6) Revises eligibility requirements.

**Effective Date:** July 1, 2000.

**Explanation of State Expenditures:** *Summary:* Most provisions in this bill that have an impact would tend to increase costs in the ICHIA program or increase the number of entities who would be subject to ICHIA assessments (including the health benefit plans offered to state employees). The amount of increase is not known at this time. The ICHIA program is funded by policyholder premiums, assessments on member

insurance carriers, and the state General Fund.

*Background:* ICHIA is the high risk insurance program offered by the state. The program is funded by policyholder premiums and a combination of assessments (on member insurance carriers) and the state General Fund. To be eligible, Indiana residents must show evidence of: (1) denied insurance coverage or an exclusionary rider; (2) one or more of the "presumptive" conditions such as AIDS, Cystic Fibrosis, or Diabetes; (3) insurance coverage under a group, government, or church plan making the applicant eligible under the federal Health Insurance Portability and Accountability Act (HIPAA); or (4) exhausted continuation coverage (e.g., COBRA). Premium rates must be less than or equal to 150% of the average premium charged by the five largest individual market carriers.

The excess of expenses over premium and other revenue is made up by assessments on member insurance carriers. Members may, in turn, (1) take a credit against premium taxes, gross income taxes, adjusted gross income taxes, supplemental corporate net income taxes, or any combination; or (2) include in the rates for premiums charged for their insurance policies amounts sufficient to recoup the assessments. The amount of assessments that are recouped by insurance carriers through tax credits or premium increases is not known at this time. Total expenses for the ICHIA program for CY98 were \$42.9 M with premium contributions of \$13.7 M and assessment receipts of \$24.9 M (the amount of assessments that is ultimately taken as a credit against state taxes and, thus, impacting the state General Fund, is not known). Current enrollment in the ICHIA program is 4,400.

The provisions of this bill that can have an impact on the ICHIA program are the following.

[SECTION 1] This bill expands the type of health coverage provider that would be required to be a member of the Association. The bill would add fraternal benefit societies, governmental plans (including the health benefit plans offered to state employees), reinsurers, church plans, third party administrators, and self-funded benefit plans to the entities assessed by ICHIA. To the extent that these changes were allowed under ERISA (Employee Retirement Income Security Act of 1974), the impact would be to include more entities able to contribute toward a given assessment requirement thereby reducing the assessment required per member. Total assessments would not be increased due to this requirement. In addition, the impact on the state General Fund would be reduced since some of these entities would not be able to take advantage of the tax credit available to taxpaying members.

[SECTION 4] A \$500 deductible is required for one of the health plans offered by ICHIA. This provision would make eligible expenses that were incurred by the insured during the final quarter of the previous policy year countable toward satisfaction of the deductible in the current policy year. This is the current practice for Plans 3A and 3B offered by ICHIA. This provision would make this applicable to the statutory Plan 1, as well. The effect of this provision would be to make more claims subject to payment under the ICHIA program.

This SECTION also provides that a prescription drug benefit offered by ICHIA could be subject to separate deductible and coinsurance amounts than are provided in the rest of the plan. This is current practice under Plans 3A and 3B. The impact of this provision is not known.

[SECTION 5] Currently, if an individual has or is eligible for an insurance policy that equals or exceeds the minimum statutory requirements provided for insurance policies in Indiana, the individual would not be eligible for an ICHIA policy. This bill provides that if an individual has or is eligible for an insurance policy having benefits that are substantially similar to the ICHIA benefit package, the individual would not be

eligible. Also, under current practice, individuals who are eligible for Medicaid are not eligible for ICHIA. This SECTION removes this requirement as long as the individual is not enrolled in Medicaid. The effect of these provisions is to increase the number of individuals who would be eligible for an ICHIA policy. (The policies of 10 individuals were terminated in CY98 due to Medicaid eligibility. It is not known how many applications coverage were denied because of Medicaid eligibility.)

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See Explanation of State Expenditures, above, regarding provision to require governmental entities to be members of ICHIA.

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Comprehensive Health Insurance Association; Department of Personnel.

**Local Agencies Affected:** Local Governments and School Corporations

**Information Sources:**