

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

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7031**  
**BILL NUMBER: SB 442**

**DATE PREPARED:** Dec 28, 2001  
**BILL AMENDED:**

**SUBJECT:** Individual Health Insurance Waivers.

**FISCAL ANALYST:** Michael Molnar  
**PHONE NUMBER:** 232-9559

**FUNDS AFFECTED:**  **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that an individual policy of accident and sickness insurance may contain a waiver of coverage for a specified condition if the waiver would be in effect for not more than five years and other requirements are met. The bill specifies that an offer of coverage under a policy that includes such a waiver does not preclude eligibility for a policy issued by the Indiana Comprehensive Health Insurance Association. The bill also prohibits the waiver of coverage for a mental health condition.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** This bill would allow for individual insurance policies to include a waiver of coverage for not longer than 5 years. Any impact is likely to be small. State health policies do not allow for exclusions of preexisting conditions and are group policies; hence they would not be affected by this legislation. The impact on the state, if any, is a potential decrease in demand for Indiana Comprehensive Health Insurance Association (ICHIA) policies.

This bill allows individual insurance policies, to include waivers of coverage for not longer than 5 years. (Current statute allows for only a 12-month exclusion for preexisting conditions.) This bill would allow for no more than two specified medical conditions, and their associated conditions, to be included in the exclusion. In addition, this bill does not allow exclusion of coverage for mental health services.

*Background:* ICHIA is the high-risk insurance program offered by the state. ICHIA is funded through premiums paid by individuals obtaining insurance through ICHIA, by assessments to member companies (insurers, health maintenance organizations, and others that provide health insurance or health care coverage in Indiana), 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. The Employee Retirement Income Security Act (ERISA) prevents assessments against self-funded insurance plans. 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 CY 2000 were \$53.22 M with premium contributions of \$19.78 M and assessment receipts of \$43 M. Enrollment in the ICHIA program as of June 1, 2000, was 7,662.

**Explanation of State Revenues:** See *Explanation of State Expenditures*, above, regarding the ICHIA program.

**Explanation of Local Expenditures:** This bill may reduce local health expenditures to the extent that the plans contain high-risk individuals and the local unit purchases individual health insurance policies for employees.

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Comprehensive Health Insurance Association.

**Local Agencies Affected:** Those units that may purchase individual health insurance policies for their employees.

**Information Sources:** M-Plan Testimony to the Interim Study Committee on the Indiana Comprehensive Health Insurance Association, September 20, 2000. Indiana Comprehensive Health Insurance Association Summary for Health Finance Commission, August 8, 2001. Indiana Comprehensive Health Insurance Association schedule of assessments for 1991-2000, Health Finance Commission, August 8, 2001.