



SF 2230 – Health Care Cost Containment Strategies (LSB 5004SS)
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Fiscal Note Version – New

Description

Senate File 2230 directs the Insurance Commissioner to establish a “Health Insurance and Cost Containment Advisory Board” and a bureau in the Insurance Division. The Advisory Board and bureau are to create methodologies to hold health carriers accountable for fair treatment of health care providers, to develop affordability standards for health carriers, and to promote improved accessibility, quality, and affordable health care. The Insurance Division is to employ professional and clerical staff for the bureau, and the bureau will provide support to the Advisory Board. The Advisory Board is made up of seven voting members appointed by the Governor and confirmed by the Senate, and seven nonvoting members. The nonvoting members are the directors or their designees for the Insurance Division, the Department of Human Services, the Department of Public Health, and four members of the General Assembly appointed by each chamber’s majority and minority leaders. Voting members may have actual expenses reimbursed from fees assessed to the insurance industry.

Health carriers are required to report annually to the bureau on the proportion of medical expenses paid for primary care. The proportion paid for primary care is to increase by 1.0% per year for five years beginning January 1, 2014. The health carriers are also to submit a plan to increase spending for primary care without increasing premiums. The Advisory Board is to work cooperatively with the Department of Public Health and the Medical Home System Advisory Council to implement the medical home system for individuals with private health care coverage. Incentives are to be developed to promote high-quality, low-cost health care.

The bureau and Advisory Board are to promote electronic health care records and the development of a claims database for the determination of health care utilization patterns and rates, gaps in prevention, access to care, health care expenditures by provider, employer, and geography, and other factors.

The Commissioner is to report annually to the Governor, General Assembly, and the public on all activities, receipts, and expenditures.

The bureau and Advisory Council are to coordinate with the appropriate State agencies and integrate seamlessly with the Health Insurance Exchange, if one is established, to fulfill the requirements of the federal Patient Protection and Affordable Care Act if implemented.

A 90-day notice of rate increases for premium rate increases exceeding the national average annual expenditure growth rate projection and public hearings is required.

Assumptions

- Funding will come from federal and private grants and from assessment fees charged to health carriers. No State funding will be appropriated for the bureau or Advisory Council.

The initial assessment will be made at the end of FY 2012 or beginning of FY 2013 to allow for hiring of bureau staff.

- Advisory Council costs will vary depending on the number of meetings held but typically fall in the \$5,000 range.
- The bureau will initially hire three staff and may add more staff at a later date. The staff will include an insurance economist hired as a Public Service Executive 5, an Insurance Policy Analyst, and an Administrative Secretary. Each person will be paid a midrange salary, and salaries will be 73.4% of the personal services costs and benefits will make up 26.6%. Salaries will increase by 3.0% for cost-of-living and 4.5% for a step increase in FY 2014. Benefits will increase by 8.0% for FY 2014.
- One-time costs for office furniture, computer equipment, and other items are estimated at \$3,000 per person.
- Data storage will be supplied by the Insurance Division in conjunction with other data storage and information technology handled by general operations. Any increase in costs will be recovered through the regular budgeting and assessment process.

Fiscal Impact

There will be no cost to the State General Fund. The costs assessed to the insurance industry are projected to be:

	FY 2013	FY 2014
Advisory Council	\$ 5,000	\$ 5,000
Personal Services	287,000	309,000
One-time	9,000	0
Total	<u>\$ 301,000</u>	<u>\$ 314,000</u>

Sources

Insurance Division, Department of Commerce
Department of Inspections and Appeals

/s/ Holly M. Lyons

April 12, 2012

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.
