INSURANCE FISCAL NOTE AND BUILDING BLOCK FOLLOW-UP

BUSINESS, ECONOMIC DEVELOPMENT AND LABOR APPROPRIATIONS SUBCOMMITTEE
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BUDGET BRIEF

SUMMARY

This report follows-up on select fiscal notes and budget actions from past legislative sessions. For each item, the report includes a stop light (red, yellow, green) for implementation status, budget accuracy, and, where available, performance. It details original cost and/or revenue estimates, legislative appropriations, and actual experience. It is intended to create a feed-back loop that improves future estimates and initiatives.

Item: H.B. 347 Insurance Coverage for Infertility Treatment (2014 General Session, Rep. L. Christensen)

Cost Estimate	Revenue Estimate	Original	Changes	Subtotal	Experienced	Difference
$ 1,458	$ 1,458	$ 1,458	$ -	$ 1,458	$ 1,750	$ (292)

Explanation

H.B. 347 allowed but did not require the optional insurance benefit for infertility treatment to be provided and, therefore, only had a fiscal impact on the Insurance Department to the extent insurers elected to offer the coverage. There are 69 companies licensed in Utah that may offer the optional benefit. The Department assumed that 20 of the 69 companies file an amendment to their existing policy, which must be reviewed by the Department, the Department estimated the fiscal impact as follows: 30 minutes processing time for each of 20 filings for a Health Examiner at $22.85 per hour ($228); 1 hour for form and rate review for each of the 20 filings by an Insurance Analyst at $27.88 per hour ($558); 30 minutes for each of the 20 filings for actuarial review at $67.20 per hour ($672) Total Cost = $1,458.

Implementation

This bill was signed by the Govenor April 1, 2014 and took effect May 13, 2015. Insurers may not offer a policy benefit unless it has been filed with the department. Between April 1, 2014 and December 31, 2014, the department received 474 filings from 27 insurers.

Accuracy

The Department assumed that 20 of the 69 companies file an amendment to their existing policy, which must be reviewed by the Department, the Department estimated the fiscal impact as follows: 30 minutes processing time for each of 20 filings for a Health Examiner at $22.85 per hour ($228); 1 hour for form and rate review for each of the 20 filings by an Insurance Analyst at $27.88 per hour ($558); 30 minutes for each of the 20 filings for actuarial review at $67.20 per hour ($672) Total Cost = $1,458. Between April 1, 2014 and December 31, 2014, the department received 474 filings from 27 insurers.

Performance

No performance data available at this point.

Item: H.B. 141 Health Reform Amendments (2014 General Session, Rep. J. Dunnigan)

Cost Estimate	Revenue Estimate	Original	Changes	Subtotal	Experienced	Difference
$ 265,500	$ 265,500	$ 265,500	$ -	$ 265,500		$ 265,500

Explanation

H.B. 141 allows the Insurance Commissioner to adopt rules "necessary to administer the provisions of UCA 31A-30-118 and 45 C.F.R 155.170". It is assumed by the department that it will be necessary for the Commissioner to adopt these rules. As such, it will require approximately 40 hours of time by the Assistant Commissioner (at $57.15 per hour) to set up rules for administering the above mentioned sections. Additionally, per requirements of the bill in 31A-30-302, the department will need to hire 3.0 FTEs to evaluate a state-based risk adjustment program. These FTE will need to be Senior Insurance Analysts with industry and mathematical experience budgeted at an annual cost of approximately $88,500 per analyst in ongoing expenses. These costs will be offset in the first year with federal grant funds, and thereafter by fees charged by the department to an insurer to run the state risk adjustment program.

Implementation

The Commissioner has not yet adopted rules necessary to administer the provisions of UCA 31A-30-118 and 45 CFR 155.170. The Department is still reviewing the ability for the State to create a state-based risk adjustment program that will be more efficient and less costly than the federal risk adjustment program. As such, no fees have been charged.

Accuracy

The department will have an estimate during FY16.

Performance

No performance data available this point.

Item: S.B. 129 Insurance Amendments (2014 General Session)

Cost Estimate	Revenue Estimate	Original	Changes	Subtotal	Experienced	Difference
$ 8,000	$ 8,000	$ 8,000	$ -	$ 8,000	Unknown	Unknown

Explanation

The language in this bill, as requested by the Department, requires insurers operating in life, health, annuities and property and casualty to file, prior to use, the insurers' forms/policies for electronic communication. There are 1,533 such companies doing insurance business in Utah that may be affected by the bill. The Department anticipated that 40% of those companies (613) need to file one time. The Department estimated that Analyst/Examiner review of each filing will take approximately 30 minutes per filing . For 613 filings, that equates to approximately 306 hours at an hourly rate of $26.15. Consequently, the fiscal impact to the department is estimated to be $8,002.00 to review the filings, as a one time cost in FY 2015.

Implementation

The provisions of SB 129 are fully implemented. As provided by the bill insurers in all major lines can file for electronic delivery of required notices and other documents.

Accuracy

The department will need to measure the full extent of electronic use after a two-year period in FY15 and FY16. This will give policyholders time to opt for the electronic communication. The system that all states are using to record filings from insurance companies does not have the ability to distinguish whether the filing is related to the company's electronic notification policy. The agency decided it would be cost prohibitive to manually track the different types of filings.

Performance

No performance data available at this time.

Item: H.B. 24 Insurance Related Amendments (2014 General Session, Rep. J. Dunnigan)

Cost Estimate	Revenue Estimate	Original	Changes	Subtotal	Experienced	Difference
$ 62,000	$ 62,000		$ -	$ 62,000	$ 73,647	$ (11,647)

Explanation

H.B. 24 impacts the Department of Insurance in its Insurance Fraud program. The bill gives the commissioner authority to transition the 11 insurance fraud investigators from special function officers to law enforcement officers and from the regular State Retirement System to the Public Safety Employee's Retirement System. Assuming the commissioner elects to transition the fraud investigators, there would be a fiscal impact on the Insurance Department's Fraud Division budget due to increased retirement costs. The Department estimates that fiscal impact to be $62,335.90 per year. That estimate is based on the difference between current retirement costs and the increased costs due to being reclassified as part of Public Safety retirement. This difference, however, would have no effect on the General Fund due to how the Insurance Fraud Investigation Restricted Account is classified in statute.

Implementation

The authority granted the commissioner to transistion the investigators to LEO status is permissive. To date, the commissioner has not excercised that authority.

Accuracy

A more detailed analysis on an individual basis of the cost to implement the transition, if elected, indicates a cost of $73,647.36, which could be paid under existing authority and budget.

Performance

Not applicable.

Appendix A - Guidelines for Scoring Follow-ups

Fiscal Note Building Block Follow-Up Report

The Analyst follows up on bills and building blocks from two sessions ago.

- **Item Explanation**

  What the appropriation is supposed to do. For bills the explanation is the fiscal note
- **Implementationn**

  Is the item being implemented in a timely manner?
- **Accuracy**

  Was the fiscal note accurate? Both the Analyst and the agency are rated.
- **Performance Measures**

  Shown and evaluated when appropriate.
- **Follow the Money**

  The report traces funding from the original request to the remaining balance.

Red - Yellow - Green Guidelines

We point out problems, potential trouble, and things going as expected with traffic light colors.

One Size Does Not Fit All

Early on, we found that what was reasonable for revenue estimates is unreasonable for ordinary bills and building blocks. Our guidelines are less stringent when an agency is asked to do something new and different than their usual fare.

$10,000 Rule

The temptation to manage a fiscal note is so great that we give an automatic Yellow to any bill with a fiscal note near $10,000.

The Director's Exception

The Director may draw your attention to any bill or building block with a yellow if the item needs your attention.

Current Rules

Accuracy of Familiar Programs / Processes

Green - Within 5% of estimate or variances less than $10,000.

Yellow - Greater than 5% but less than or equal to 10% of estimate and more than $10,000.

Red - Greater than 10% of estimate and more than $10,000.

Accuracy of Unfamiliar Programs / Processes

Green - Within 10% of estimate or variances less than $10,000.

Yellow - Greater than 10% but less than or equal to 20% of estimate and more than $10,000.

Red - Greater than 20% of estimate and more than $10,000.

Accuracy of Revenue Bills

Green - Within the estimates margin of error.

Yellow - Greater than margin of error but less than two times margin of error.

Red - Greater than two times margin of error.

Implementation

Green - Implemented within the first month of the bill's effective date. The definition of implemented will vary according to the difficulty of the bill's task. Tasks that are too large to be implemented in the first month can be considered implemented if the agency has a reasonable plan and they are on schedule.

Yellow - Implemented after the first month but before the fourth month of the bill's effective date.

Red - Implemented after three months of the bill's effective date.

Performance Measures

The Analyst will decide if performance measures are appropriate and will use the “Implementation” guidelines. The Analyst will evaluate the agency’s performance measures and recommend alternate measures when necessary.