Fiscal Note

Catastrophic Mental Health Insurance Coverage

02-Feb-00

Bill Number HB0035

11:00 AM

The fiscal impact of this bill has several facets. First, it is estimated that this bill may increase health insurance premiums between 1.5 percent and 10 percent depending on 1) the current level of general health benefits offered; 2) the current level of mental health coverage provided; 3) changes in health care usage patterns; and 4) the type of health care system used by the insurance plan.

This bill will have no fiscal impact on State government in FY 2001. State premiums are estimated to rise between 1.5 and 3.6 percent starting in FY 2002. The cost below in the financial summary is listed at 2.0 percent for State programs, 3.0 percent for higher education. Many local governments, some institutions of higher education, some public school districts and many small businesses may have a fiscal impact in the current year of FY 2001, based on when their health plan year begins. Premiums for these organizations could rise between 1 and 10 percent, depending on the factors noted above. A hardship exemption is available to employers to mitigate the potential fiscal impact.

Companies and organizations which are exempt from the provisions of this bill due to the Employee Retirement Securities Act of 1974 (ERISA) will have no fiscal impact.

Second, an ongoing appropriation of $113,000 from the General Fund to the Insurance Department is necessary to implement the regulatory provisions of the bill. New rate filings could generate approximately $14,000 for the General Fund.

Third, enactment of this bill could generate Medicaid savings because of the increased private insurance coverage, however, this could not be quantified. There may be an increase in revenue to State health facilities. It is estimated this would be positive revenue of approximately $450,000 per year and would be used to provide care for additional patients.

	FY 01 Approp.	**FY 02 Approp.**	**FY 01 Revenue**	**FY 02 Revenue**
General Fund	$113,000	$2,167,600	$14,000	$450,000
Uniform School Fund	$0	$203,100	$0	$0
Federal Funds	$0	$716,100	$0	$0

Dedicated Credits Revenue	$0	$194,000	$0	$0
Transfers	$0	$167,700	$0	$0
Trust Funds	$0	$15,800	$0	$0
Other	$0	$51,700	$0	$0
Uniform Sch. Fund -Restr.	$0	$100	$0	$0
GF Restrict Mineral Lease	$0	$3,200	$0	$0
GF Restricted	$0	$167,000	$0	$0

TOTAL	**$113,000**	**$3,686,300**	**$14,000**	**$450,000**

Individual and Business Impact

The fiscal impact is three-fold. First, affected individuals will realize a significant savings with the treatment of their condition. Second, the general population of insured individuals may experience a premium increase of between 1 and ten percent depending on the benefits of their current plan. This may be paid by the insured individual or their employers. Third, insurance companies must file a rate change form at a cost of $20.00 per form.

There is the potential for savings in the long term due to benefits of more extensive treatment. These cannot be quantified at this time.

Additional insurance benefits could result in added costs for the mandated benefits. The costs of mandated coverage may be recovered by: 1) reducing other benefits; 2) increasing premiums; 3) reducing insurance company profits; or 4) increasing insurance company losses.

Office of the Legislative Fiscal Analyst