Fiscal Note

Equity in Prescription Coverage

16-Jan-01

Bill Number SB0042

1:30 PM

State Impact

No fiscal impact to State government, institutions of higher education, and local governmental entities covered by Public Employees Health Program (PEHP). However, there could be some impact to local governments, some institutions of higher education and some public school districts if their present insurance coverage does not include the benefit to the extent outlined in this bill. Insurance companies not exempt from the Employee Retirement Income Security Act of 1974 (ERISA) could see cost changes ranging from a savings of .8 percent to an increase of over 2 percent. The amount of the change depends on the disparity between the new requirements and the current level of benefits provided by that company.

This bill will require approximately 450 insurance companies to change their policy forms and re-file them with the Insurance Department. This will generate approximately $9,000 revenue to the General Fund. A one-time appropriation of $4,000 from the General Fund is needed for processing and postage.

	FY 02 Approp.	FY 03 Approp.	FY 02 Revenue	FY 03 Revenue
General Fund	$4,000	$0	$9,000	$0
TOTAL	**$4,000**	**$0**	**$9,000**	**$0**

Individual and Business Impact

The fiscal impact is three-fold. First, affected individuals may realize a significant savings because of the added benefit. Second, the general population of insured individuals may experience a savings or a small premium increase of up to 2 percent. This may be paid by the insured individual or their employers. Third, affected insurance companies must file a rate change form at a cost of $20.00 per form if their benefits change.

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