

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

301 State House
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FISCAL IMPACT STATEMENT

LS 7184

BILL NUMBER: HB 1288

DATE PREPARED: Jan 5, 2000

BILL AMENDED:

SUBJECT: Health Insurance Waivers.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that an individual policy of accident and sickness insurance or a group policy of accident and sickness insurance under which a certificate of coverage is issued to an individual member of an association or a discretionary group may contain a multiple year waiver of coverage that does not exceed ten years for a specified condition, if the insurer meets certain requirements. The bill also specifies that an offer of coverage under a policy that includes a waiver does not preclude eligibility for an Indiana Comprehensive Health Insurance Association (ICHIA) policy for an individual who is otherwise eligible.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill would allow for individual insurance policies, association group policies, and discretionary group policies to include a waiver of coverage not exceeding 10 years in length. (Current statute provides for a maximum 12-month exclusion for preexisting conditions.) The impact on the state, if any, is a potential decrease in demand for ICHIA policies. Any impact is likely to be small.

Background: ICHIA is the high risk insurance program offered by the state. The program is funded by policyholder premiums and a combination of assessments (on member insurance carriers) 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. 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 CY98 were \$42.9 M with premium contributions of \$13.7 M and assessments receipts of \$24.9 M. Current enrollment in the ICHIA program is 4,400.

This bill allows individual insurance policies, association group policies, and discretionary group policies (i.e., not employee group policies) to include waivers of coverage for up to 10 years. (Current statute allows for only a 12-month exclusion for preexisting conditions.) The potential impact on the state, albeit small, exists because this could provide a lower cost option to an individual than the ICHIA program, but with lesser coverage than ICHIA.

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

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Comprehensive Health Insurance Association

Local Agencies Affected:

Information Sources: