

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6553

BILL NUMBER: HB 1539

DATE PREPARED: Feb 6, 2001

BILL AMENDED:

SUBJECT: Guaranteed Health Plan Coverage.

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FUNDS AFFECTED: X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: The bill repeals the law concerning the Indiana Comprehensive Health Insurance Association (ICHIA). The bill replaces the ICHIA law with a law under which an accident and sickness insurer or health maintenance organization that provides coverage for basic health care services in Indiana is required to provide coverage as well to certain qualified individuals under an individual health benefit plan at a rate not to exceed 150% of the average health benefit plan premium charged in the previous calendar year. The bill also makes conforming amendments.

Effective Date: Upon passage.

Explanation of State Expenditures: The bill eliminates the Indiana Comprehensive Health Insurance Association (ICHIA) and provides for guaranteed issue of individual health insurance coverage to specified uninsured and uninsurable individuals without limitation or exclusion for preexisting health conditions. The bill also prohibits the premium for such coverage from exceeding 150% of the average premium charged for health benefit plan coverage by the five providers with the largest premium volume in Indiana. The elimination of ICHIA would relieve the state of its annual liability for ICHIA program losses. This liability could potentially reach \$48.75 M in CY 2001 and \$57.10 M in CY 2002. In addition, it appears that the bill does not provide for member companies to utilize tax credits for ICHIA assessments they have not exhausted during prior years. A CY 1999 estimate of carryover is \$16.9 M. Given the basis for this estimate, the carryover could in actuality be higher. In the event that unused tax credits could not be claimed in the future, the savings to the state through the elimination of ICHIA would be increased by at least \$16.9 M.

The provisions relating to guaranteed issue and limiting premiums for such coverage, albeit significant in terms of the individual health insurance market, are not expected to impact state employee health benefit costs.

Background: ICHIA is funded through premiums paid by individuals obtaining insurance through ICHIA and by assessments imposed on member companies (insurers, health maintenance organizations, and others that

provide health insurance or health care coverage in Indiana). Assessments are imposed on member companies in May and November each calendar year in proportion to each member's respective share of total health insurance premiums received in Indiana during the year. The assessments also depend upon the amount of program losses which have to be covered by the assessments. The ICHIA program loss is equal to the difference between premium receipts obtained by ICHIA and the total administrative and claims costs incurred by ICHIA during the calendar year. ICHIA program losses are estimated to be approximately \$48.75 M in CY 2001 and \$57.10 M in CY 2002. This assumes that ICHIA costs per insured will increase by 8.44% per year and the per insured premium will increase by only 1.7% per year (equal to the annual averages for both measures for the period 1995 to 1999). This also assumes that ICHIA enrollment will increase by 4.9% each year (equal to the annual average for the period 1995 to 2000).

Member companies are permitted to offset the cost of the assessments by taking a dollar-for-dollar credit against Premium Taxes, Gross Income Taxes, Adjusted Gross Income Taxes, Supplemental Corporate Net Income Taxes, or any combination of these, up to the amount of taxes due each calendar year in which assessments were paid. Remaining assessments can be credited in succeeding years until the total of the assessments has been offset. Thus, most ICHIA assessments paid by member companies are currently reimbursed by the state General Fund in the form of reduced tax payments from those companies. A survey conducted by Outsourced Administrative Systems (OASYS, third-party administrators of ICHIA) during 2000 indicated that from CY 1996 to CY 1998 member company tax credits were on average equal to 67.94% of annual assessments. The survey also indicated that respondent companies carried over from CY 1998 to CY 1999 approximately \$16.9 M in unused tax credits apparently accumulated from CY 1998 and preceding years. This suggests that at least some member companies were not able to exhaust their tax credits annually, and that they were accumulating tax credits and not able to use them in subsequent years. However, the sample included only 276 of some 500 ICHIA member companies. As a result, the total tax credits and the total carryover for all member companies is not known. What's more, no reliable method has been developed by which this information could be used to estimate the typical tax credits or carryover that member companies experience. Thus, an amount reflecting the unused tax credits of all member companies is indeterminable. However, at a minimum the value of carryover tax credits could be equal to \$16.9 M. Since the bill appears to preempt member companies from exhausting these carryover tax credits, it would serve to increase the savings from the elimination of ICHIA,

Explanation of State Revenues: See Explanation of State Expenditures, above.

Explanation of Local Expenditures: Similar to the state, the provisions relating to guaranteed issue and limiting premiums for such coverage are not expected to impact local government employee health benefit costs.

Explanation of Local Revenues:

State Agencies Affected: Indiana Comprehensive Health Insurance Association.

Local Agencies Affected:

Information Sources: M-Plan Testimony and Data, presented by Alex Slabosky to the Interim Study Committee on ICHIA, September 20, 2000; OASYS Assessment Survey, presented by Jim Bucher to the Interim Study Committee on ICHIA, September 20, 2000.