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LB 73

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		\$2,600,000		\$2,600,000
CASH FUNDS				
FEDERAL FUNDS				
CHIP DISTRIBUTIVE FUND	\$100,000 - \$150,000		\$100,000 - \$150,000	
TOTAL FUNDS	\$100,000 - \$150,000	\$2,600,000	\$100,000 - \$150,000	\$2,600,000

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 73 pertains to the Comprehensive Health Insurance Pool Act (CHIP). The bill broadens the definition of entities that may bid to become the pool administrator to include health maintenance organizations and third-party administrators. The bill also repeals current language regarding health care provider reimbursement rates and requires that provider reimbursement rates for pool covered services be set at rates equivalent to 125% of medicare reimbursement, not later than January 1, 2012.

Revenue: The Department of Insurance indicates that provider reimbursement rates are now set at prevailing rates paid by commercial insurers. The change to rates at 125% of medicare reimbursement will reduce CHIP expenditures by an estimated \$6.5 to \$18 million per year, as estimated by the Department of Insurance.

Premium taxes paid by health insurers are used to fund CHIP. Any premium taxes not used for CHIP are allocated as follows: General Fund (40%); Mutual Finance Assistance Fund (10%); and, 50% of the receipts are deposited in the Insurance Tax Fund. This fund is allocated to counties (10%), cities (30%) and schools (60%).

Using the minimum projected increase in revenue of \$6.5 million per year and assuming CHIP provider reimbursement rates are set at 125% of medicare reimbursement at the beginning of FY2011-12, increased annual revenue for the affected entities is estimated to total \$2.6 million for the General Fund; \$650,000 for the Mutual Finance Assistance Fund; \$325,000 for counties; \$975,000 for cities; and \$1,950,000 for schools. Additional revenue for schools decreases state aid to education, two years after the increase in revenue is received.

Expenditures: The Department of Insurance indicates the bill may increase annual CHIP expenditures by an estimated \$100,000 to \$150,000 to calculate rates as required and create a new network of contracted health care providers.

There is no determinable fiscal impact for CHIP if additional entities are allowed to bid to be the pool administrator. However, it is possible a change in the administrator may impact expenditures of the pool.