

Revised due to amendments adopted through 3-28-18

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2018-19</b>		<b>FY 2019-20</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	See Below		See Below	
CASH FUNDS	See Below		See Below	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB1119, as amended, creates two health care programs.

1. The Direct Primary Care Pilot Program
2. The Nebraska Right to Shop Act

**Direct Primary Care Pilot Program**

The Direct Primary Care Pilot Program is for state employees eligible to participate in the Nebraska State Insurance Program. The Pilot Program is to begin in FY2019-20 and continue through FY2022-23. The Nebraska State Insurance Program excludes employees of the University of Nebraska, the state colleges, and the community colleges.

The Department of Administrative Services (DAS) indicates, in their fiscal note filed February 8, 2018, that the Pilot Program would include the Direct Primary Care monthly membership fee and wrap-around insurance for non-primary care coverages. DAS also states the cost split will be 79% State and 21% Employee for both portions of the Direct Primary Care Pilot Program. In reviewing current law, it is unclear this is correct. Section 71-9504 states that the direct primary care agreement does not constitute insurance and is not a medical plan that provides health insurance coverage for purposes of any federal mandates. According to section 84-1611, the 79% state contribution is for a health insurance or health maintenance organization program.

The Department of Administrative Services (DAS) indicates additional funding may be needed for start-up costs but the amount cannot be estimated. DAS also indicates the potential for savings but, the amount cannot be estimated.

**Nebraska Right to Shop Act**

The Nebraska Right to Shop Act applies to any insurance carrier that elects to be subject to the act. An insurance carrier making such election shall file a notice of the election with the Department of Insurance. An insurance carrier that elects to be subject to the act shall develop and implement a shared savings incentive payment program that provides incentive payments for the enrollees.

LB1119 also provides that the personnel division of the Department of Administrative Service (DAS) may, at its discretion, develop and implement a program for state employees participating in the Nebraska State Insurance Program that is similar to the shared savings incentive program outlined in the bill.

In a fiscal note response to LB604 AM1934, which created the Nebraska Right to Shop Act and was amended into LB1119, DAS provided the following information should the department choose to implement such a program.

- The cost of contracting with a vendor to administer a cost comparison and incentive payment program is estimated to be \$359,000 per year, plus additional costs necessary to create and maintain an information link with the third-party-provider.
- The increase in expenditures of \$359,000 per year would likely increase the premium rates for the employees and the State (employer).
- LB1119 prohibits incentive payments from counting as administrative costs for rate-setting purposes therefore, the State would need to seed the incentive fund. DAS indicates a minimum of \$3,200,000 General Funds would be needed in the first year. This equates to about 2% of the annual medical claims costs.

The Department of Insurance indicates no fiscal impact.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1119            AM: 2418            AGENCY/POLT. SUB: Department of Insurance

REVIEWED BY: Neil Sullivan            DATE: 4/3/2018            PHONE: (402) 471-4179

COMMENTS: No basis to disagree with the Department of Insurance estimate of no fiscal impact from LB 1119 as amended by AM 2418.

Please complete ALL (5) blanks in the first three lines.

**2018**

**LB<sup>(1)</sup> 1119, AM 2418**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Department of Insurance

Prepared by: <sup>(3)</sup> Robert M. Bell Date Prepared: <sup>(4)</sup> 3/29/2018 Phone: <sup>(5)</sup> (402) 471-4650

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2018-19</u>		<u>FY 2019-20</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

**Explanation of Estimate:**

Legislative Bill 1119, as amended by AM 2418, adopts the Nebraska Right to Shop Act and permits health insurance carriers to elect to be subject to the act via the filing of a notice with the Nebraska Department of Insurance. It is unknown if any health carriers will elect to be subject to the act. If a health carrier does elect to be subject to the act, it is expected that any additional regulatory responsibilities will be accomplished with existing staff. Section 22 requires health insurance carriers subject to the act to submit various information to the Department annually that, in turn, must be reported to the Legislature annually. This annual report will not cause a fiscal impact on the Department.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19</u>	<u>2019-20</u>
	<u>18-19</u>	<u>19-20</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____