

Revised to include the agency's amended fiscal note

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS				
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 Administrative Services

REVIEWED BY: Neil Sullivan DATE: 4/9/2018 PHONE: (402) 471-4179

COMMENTS: No basis to disagree with the Department of Administrative Services estimate of indeterminate startup costs and potential cost savings from LB 1119 as amended by AM 2418. Concur that any impact would be an enterprise impact.

The cost of the wrap-around insurance options would be split 79% State 21% Employee.

Concur that the Nebraska Right to Shop Act implementation, and thus associated fiscal impact estimates, are at the discretion of the Department of Administrative Services.

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2018

LB⁽¹⁾ 1119 AM2418 AM2535

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) – State Personnel – Employee Wellness and Benefits

Prepared by: ⁽³⁾ Jennifer Norris Date Prepared: ⁽⁴⁾ 04-03-2018 Phone: ⁽⁵⁾ 402-471-4333

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Explanation of Estimate:

LB 1119 as amended by AM 2535 proposes to establish a Direct Primary Care Pilot Program within the Nebraska State Insurance Program beginning with the fiscal year 2019-20 and continuing through fiscal year 2022-23, which is to include at least two different direct primary care health plans including a high-deductible option and a low-deductible option. The pilot program plans would include the Direct Primary Care monthly membership fee and wrap-around insurance for non-primary care coverages.

The cost split will be 79% State and 21% Employee for both portions of the Direct Primary Care Pilot Program.

In speaking with the State’s third party health insurance administrator, they have indicated that they have no experience with incorporating direct primary care, and are unable to estimate the start-up costs associated with managing a compliant plan for the State.

Additional funding may be required to cover the start-up costs of such Program. It is impossible at this time to determine what those cost would be. The table below uses a four-year average of the total benefits paid by fund type as a percentage of the total and reflects the possible impact by fund type of any start-up costs for such a program. There may also be cost savings to the State, though that is also indeterminable at this time.

General Funds	51.17%
Cash Funds	25.16%
Federal Funds	19.95%
Revolving Funds	3.72
Total	100%

AM 1119, as amended by AM 2418, proposes to allow a health insurance carrier to elect to be subject to the Nebraska Right to Shop Act as described in the amendment. The act provides a mechanism for any person enrolled in a health plan subject to the Right to Shop Act to obtain cost information for non-emergency health services or procedures from in-network and out-or-network providers. If a health care provider can be found that would perform the procedure, and it would result in a savings of more than fifty-dollars over the cost the health insurance carrier allows, the health insurance carrier must pay the person a minimum of 50% of the savings.

As electing to be subject to this act is at DAS’s discretion, there is no fiscal impact to DAS State Personnel Division – Employee Wellness & Benefits. If the State were to offer a “Right to Shop” plan, it would be considered as part of the normal RFP/bidding and budget process.

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.....				