

7/10/11

PREPARED BY:  
DATE PREPARED:  
PHONE:

Sandy Sostad  
February 04, 2011  
471-0054

**LB 223**

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		(\$40,000)		(\$40,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 223 requires that individual and group sickness and accident insurance policies issued or renewed in the state include coverage for single or bilateral cochlear implants for persons diagnosed with severe to profound hearing impairment. The bill will have no fiscal impact for state agencies or the University of Nebraska because health insurance plans for state and university employees currently cover cochlear implants.

The Department of Insurance indicates that the administrator of the Comprehensive Health Insurance Pool (CHIP) estimates the bill will have a fiscal impact for the pool because coverage is not currently provided for cochlear implants. The pool administrator estimates the cost of the procedure to be about \$50,000 and projects that .5% of CHIP policyholders, or 24 individuals, may be eligible for an implant. The Department of Administrative Services indicates the state of Nebraska's health care plan, which covers these implants, pays for an average of two procedures per year. The state health plan has over 13,700 insureds in the plan. This fiscal note assumes there may be a maximum of two procedures per year for CHIP pursuant to the bill which will increase expenses by about \$100,000.

CHIP is insurance coverage that is available to persons who otherwise are not able to obtain health insurance. The coverage is funded with premiums paid by policyholders and by premium taxes paid by health insurance companies. Any claims cost for cochlear implants in excess of premiums received from policyholders will be paid with premium tax receipts from health insurers that are deposited in the CHIP Distributive Fund. Increased expenditures by the CHIP Distributive Fund for cochlear implants reduce the amount of premium tax revenue that is annually distributed to the state and political subdivisions, assuming that premiums are not increased for policyholders.

Currently, premium tax proceeds are allocated to the General Fund (40%), Municipal Finance Assistance Fund (10%) and the Insurance Tax Fund (50%). The Insurance Tax Fund is allocated to schools (60%), municipalities (30%) and counties (10%). Any loss of revenue for school districts decreases resources for state aid purposes which increases state aid by a like amount two years later. The estimated fiscal impact of the bill in terms of increased expenses for CHIP will result in a loss in revenue for the following entities:

	Premium Tax %	Est. Fiscal Impact
General Fund	40%	40,000
Mutual Assistance Fund	10%	10,000
Insurance Tax Fund:		
Schools	30%	30,000
Cities	15%	15,000
Counties	5%	5,000
Total Allocation	100%	100,000

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	DATE	1/18/11	PHONE	471-2526
<p>COMMENTS</p> <p>ADMINISTRATIVE SERVICES: Concur. DEPARTMENT OF INSURANCE: Agency's estimate of impact appears to be reasonable. UNIVERSITY OF NEBRASKA: Concur.</p>					

# 2011 Legislative Bill Proposal Fiscal Note

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Bill #: 223

State Agency: Administrative Services

Prepared by: Paula Fankhauser

Date Prepared: January 12, 2011

Phone: 471-2832

Approved by:

## Estimate of Fiscal Impact – State Agencies

	FY 2011-12		FY 2012-13	
	Expenditures	Revenue	Expenditures	Revenue
General Funds				
Cash Funds				
Federal Funds				
Other Funds				
<b>Total Funds</b>	0	0	0	0

**Explanation of Estimate:** The State of Nebraska's benefit health plans currently cover cochlear implants for both employees and dependents. On average, two of these procedures are performed each year. These claims are paid through the State's health plan account which includes both state and employee contributions.

There is no financial impact to the State.

## Major Objects of Expenditure

**Personal Services:**

Position Title:	Number of Positions			2011-12	2012-13
	11-12	12-13		Expenditures	Expenditures
Benefits					
Operating					
Travel					
Capital Outlay					
Aid					
Capital Improvements					
<b>TOTAL</b>					

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LB<sup>(1)</sup> 223 FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Eric Dunning Date Prepared: <sup>(4)</sup> 01/21/11 Phone: <sup>(5)</sup> 471-4650

ESTIMATE PROVIDED BY STATE AGENCY OR POLICITCAL SUBDIVISION

	FY 2011-2012		FY 2012-2013	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	\$1,200,000		\$1,200,000	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.  
Explanation of Estimate:

Based upon information provided to the Department of Insurance by the Administrator, LB 422 has an increased expenditure fiscal impact to the Comprehensive Health Insurance Pool ("CHIP") distributive fund of \$1,200,000 in FY 2010-2011. The administrator estimates that this procedure will cost roughly \$50,000 per procedure, and estimates that 0.5% of the CHIP policyholders may be eligible under the act.

Pursuant to Neb. Rev. Stat. § 77-912, the distribution of premium taxes paid by insurers which is otherwise not used the CHIP Distributive Fund is 40% to the General Fund, 10% to the Mutual Assistance Fund for legislative appropriation, and 50% to the Insurance Tax Fund. Of the Insurance Tax Fund, the distribution is 10% to counties, 30% to the Municipal Equalization Fund, and 60% distributed under TEEOSA. The following table shows the breakdown of the distribution of the premium taxes.

General Fund	40%	480,000
MFA	10%	120,000
County	5%	60,000
Muni	15%	180,000
TEEOSA	30%	360,000
<b>Total</b>	<b>100%</b>	<b>\$1,200,000</b>

MAJOR OBJECTS OF EXPENDITURE

Personal Services:	NUMBER OF POSITIONS		2011-2012 EXPENDITURES	2012-2013 EXPENDITURES
	11-12	12-13		
POSITION TITLE				
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....			\$1,200,000	\$1,200,000
Capital improvements.....				
<b>TOTAL.....</b>			<b>\$1,200,000</b>	<b>\$1,200,000</b>

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LB<sup>(1)</sup> 223 FISCAL NOTE

State Agency OR Political Subdivision Name: University of Nebraska  
(2)

Prepared by: (3) Michael Justus Date Prepared: (4) January 13, 2011 Phone: (5) 472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2011-2012		FY 2012-2013	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Return by date specified or 72 hours prior to public hearing, whichever is earlier.  
Explanation of Estimate:

The University's health insurance plan already covers cochlear implants and would therefore have no fiscal impact.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2011-2012 EXPENDITURES	2012-2013 EXPENDITURES
	11-12	12-13		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				