

### Fiscal Estimate - 2001 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>01-4956/2</b>	<b>Introduction Number</b> <b>AB-876</b>				
<b>Subject</b> Small business health insurance reform					
<b>Fiscal Effect</b>					
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Appropriations  <input type="checkbox"/> Decrease Existing Appropriations  <input type="checkbox"/> Create New Appropriations         </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues  <input type="checkbox"/> Decrease Existing Revenues         </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget  <div style="display: flex; justify-content: space-around; font-size: small;"> <input type="checkbox"/> Yes      <input type="checkbox"/> No         </div> <input type="checkbox"/> Decrease Costs         </div> </div>					
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 30%;">           1. <input type="checkbox"/> Increase Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory            2. <input type="checkbox"/> Decrease Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory         </div> <div style="width: 30%;">           3. <input type="checkbox"/> Increase Revenue  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory            4. <input type="checkbox"/> Decrease Revenue  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory         </div> <div style="width: 30%;"> <b>5. Types of Local Government Units Affected</b>  <input type="checkbox"/> Towns      <input type="checkbox"/> Village      <input type="checkbox"/> Cities  <input type="checkbox"/> Counties      <input type="checkbox"/> Others  <input type="checkbox"/> School Districts      <input type="checkbox"/> WTCS Districts         </div> </div>					
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;"><b>Fund Sources Affected</b></td> <td style="width: 50%;"><b>Affected Ch. 20 Appropriations</b></td> </tr> <tr> <td> <input type="checkbox"/> GPR    <input type="checkbox"/> FED    <input type="checkbox"/> PRO    <input type="checkbox"/> PRS    <input checked="" type="checkbox"/> SEG    <input type="checkbox"/> SEGS         </td> <td>20.435(4)(u), 20.435(4)(v)</td> </tr> </table>		<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>	<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS	20.435(4)(u), 20.435(4)(v)
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<b>Agency/Prepared By</b> DHFS/ Curtis Cunningham (608) 266-5362	<b>Authorized Signature</b> Fredi Ellen Bove (608) 266-2907	<b>Date</b> 3/4/02			

## Fiscal Estimate Narratives

DHFS 3/4/02

LRB Number	01-4956/2	Introduction Number	AB-876	Estimate Type	Original
<b>Subject</b>					
Small business health insurance reform					

### Assumptions Used in Arriving at Fiscal Estimate

The Health Insurance Risk-Sharing Plan (HIRSP) provides major medical health insurance coverage to Wisconsin residents who, due to their medical conditions, are unable to find adequate health insurance coverage in the private market. Under current law, an individual may qualify for HIRSP if the individual is unable to obtain insurance in the private market due to the severity of their physical or mental health conditions, loses group health plan insurance coverage, or is eligible for Medicare due to a disability. In general, current law requires that a person who obtains coverage under HIRSP must wait for six months for coverage of pre-existing conditions. In order to comply with the federal Health Insurance Portability and Accountability Act (HIPAA), individuals who lose group health plan insurance coverage serve no waiting period for pre-existing conditions if they meet the HIPAA criteria for an eligible individual.

This legislation allows an employee who loses eligibility in the small employer catastrophic care program to apply for the HIRSP program. It also allows the HIRSP Board of Governor's, at its discretion, to certify an employee eligible for coverage under HIRSP even if the employee does not satisfy the HIRSP eligibility requirements. In addition, such an employee is exempted from the HIRSP 6-month pre-existing condition provision if the employee applied to HIRSP within 63 days of being terminated from the small employer catastrophic care program.

Currently, eligibility into HIRSP is set in rules and statutes and the Board does not determine eligibility of an individual applicant nor does it have the statutory authority to do so. The provisions to allow the HIRSP Board, at its discretion, to certify an employee eligible when he/she does not meet general eligibility criteria may be problematic, especially since the bill does not lay out any criteria for making this determination. Without any specified standards, the Board may be compelled to certify all such persons.

This bill would increase HIRSP program costs if additional persons were certified, or due to the current growth in policyholders and the resulting impact on policyholder assessments and provider discounts, under these provisions the Board could choose to certify no applicants under this legislation as eligible for HIRSP. After a GPR subsidy, the expenses of the HIRSP program are distributed 60% to policyholders, 20% to insurance companies and 20% to providers. Currently, the HIRSP program has grown 80% since 1997. An additional eligible population could increase this growth rate and put additional stress upon the program and increase costs for policyholders, insurance companies, and providers. If this legislation passes, there would be less pressure on insurers to cover this group of people. This would increase pressure on HIRSP to become a much larger state run insurance program. Although the potential number of individuals who could lose their eligibility in the small employer catastrophic care program and then qualify for HIRSP is unknown, any increase in high-cost participants could increase payments for current HIRSP policyholders, insurance companies, and providers and increase administrative cost.

### Long-Range Fiscal Implications