

Fiscal Estimate Narratives

OCI 4/16/2010

LRB Number	09-0921/1	Introduction Number	AB-0540	Estimate Type	Original
Description Allowing out-of-state insurers to offer health care plans that are exempt from certain laws to employers and individuals in this state					

Assumptions Used in Arriving at Fiscal Estimate

AB 540 permits health care plans offered by out-of-state, or foreign, insurers to be exempt from chapters 600-646 with certain exceptions. OCI's regulatory responsibilities related to this bill are substantial.

Under AB 540, OCI would be required to grant certificates of authority to foreign health insurers who offer plans that are in compliance with the laws and regulations of the insurer's domiciliary state. Prior to issuing a certificate of authority OCI would be required to develop processes to determine if the health care plans offered by insurers complied with the insurance statutes in the insurer's state of domicile and with the statutes specified in in the bill. OCI would also be required to determine if the insurer is offering the health plan in its state of domicile.

AB 540 requires that group health care plans offered by foreign insurers make certain disclosures regarding the nature of the regulatory scheme the plan falls under specifically with an eye toward how the plan differs from a plan that was issued in compliance with all of Wisconsin's health insurance statutes and which state has jurisdiction over the requirements of the plan. OCI would be required to determine if the disclosures that the insurers must provide meet with the intent of the statute and provide the complete information for the consumer. In spite of these disclosures, OCI anticipates that consumer confusion over these plans related to the application of multiple state laws, combined with selective application of Wisconsin law, will result in an increase in complaints to OCI, who will have to make determinations about compliance not only with Wisconsin law but also with the law of the foreign insurer's state of domicile, most likely resulting in an increase in the time necessary to complete a complaint investigation.

Additionally, the bill provides that domestic health insurers to be exempted in the same manner as foreign health insurers are, provided that the insurer offers a health care plan that is comparable in plan design to a health care plan offered by a foreign insurer. This would result in a domestic insurer offering a plan that is subject to the laws of another state, but regulated by the State of Wisconsin.

AB 540 makes foreign insurers offering health care plans in Wisconsin subject to Wisconsin taxation and HIRSP Authority assessment. To the degree that OCI is involved in both processes this bill would add to those responsibilities.

As a result, OCI anticipates that the agency will be required to increase rulemaking activity related to the requirements in this bill. Additionally, the bill will require OCI staff to become knowledgeable of other state laws and the circumstances where home-state law or Wisconsin law becomes applicable. Furthermore, in instances where domestic health insurers apply for health plan exemptions due to plan similarities with health plans offered by out-of-state insurers, OCI would be required to develop processes to incorporate the unique regulatory status of domestic insurers writing policies that have regulatory compliance responsibilities dictated by multiple state jurisdictions.

In order to comply with the increased complaint and rulemaking activity along with the vast increase in regulatory variation that is put in place by AB 540, OCI has determined that the minimum staff required would consist of one attorney, two senior market conduct examiners and one senior insurance financial examiner. Salary and fringe benefits for the four FTE positions described would increase costs by \$351,000 annually. Other annual costs for supplies, services, technology and travel would increase costs by \$17,200. Four new FTE would also incur one-time costs of \$26,000 related to workstation and computer resource allocations.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Allowing out-of-state insurers to offer health care plans that are exempt from certain laws to employers and individuals in this state			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): One-time start up costs related to workstation, computer and software for four FTE = \$26,000			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$351,000		\$
(FTE Position Changes)	(4.0 FTE)		
State Operations - Other Costs	17,200		
Local Assistance	0		
Aids to Individuals or Organizations	0		
TOTAL State Costs by Category	\$368,200		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS	368,200		
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	State		Local
NET CHANGE IN COSTS	\$368,200		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	Date
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