



# JOHN JAGLER

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## **Assembly Committee on Insurance AB 543 January 14, 2015**

Thank you members of the Insurance Committee for hearing AB 543 today.

Each session the legislatures look at ways it can improve our healthcare system and hopefully pass good legislation that benefits the consumer with better care and help keep prices stable. The healthcare and insurance industry touches virtually every citizen of WI, that's why it's very important we don't pass legislation without first knowing what the cost will be to the public.

WI law directs the Commissioner of Insurance to provide the legislature with a report detailing the social and financial costs and benefits of any legislation that creates new health care insurance mandates. These reports provide vital information that is necessary for the legislature to make an informed decision. However, these reports don't always make it before a vote is taken because the law does not mandate them to arrive before hand. In 2009 for example, the commissioner didn't produce the required report for a bill that mandated insurance companies cover a particular type of cancer screening. That same year, the legislature voted on a bill that mandated hearing aids for children be covered by their insurance. In both instances, the legislature didn't have access to know what the cost would be for passing these bills. These were two bills that impacted the insurance industry, and they were passed without the information lawmakers should have had before making such decisions. We should never pass a law without knowing what the cost of that law is going to be, regardless of the perceived benefits. I highly doubt anyone on this committee would make an investment without first knowing what the risks are and what the return is, but that's exactly what happens each time the legislature passes these types of laws without having an idea of what the impact will be. That's not fair to the taxpayer, and it's not a prudent way to run a state.

AB 543 will remedy this problem by making a few simple changes to the law. It requires a report from the Commissioner of Insurance to be submitted before a hearing or vote can be held on any healthcare bill dealing with insurance mandates. If a report is not provided by the commissioner, no action can be taken until the legislature receives an explanation detailing why a report was not submitted. This will ensure the legislature is making an educated decision the next time it deals with placing new mandates on the healthcare industry. This bill also applies to amendments which currently do not get a report from the commissioner.



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The last change AB 543 makes is expanding the definition of what a healthcare mandate is. The law currently does not view bills that call for health insurance plan or policy design changes as mandates. Legislation affecting contracts between policy and service providers also do not meet the requirement that triggers a report. Bills requiring cost sharing for a particular benefit, sickness, or service also are left out. Under this bill, they will all be considered a mandate and trigger the commissioner to respond.

Good governance relies on having the information to make the right decisions. AB 543 will lead to the legislature being provided with the information it needs to avoid passing healthcare laws which create unintended consequences. The information this bill provides will help the state avoid making costly decisions, which benefits every WI resident.

Thank you for your time, I will be happy to answer any questions the committee may have.



# LEAH VUKMIR

STATE SENATOR

## Assembly Bill 543

ASSEMBLY COMMITTEE *on* INSURANCE

Thursday, Jan. 14, 2016

Chairman Petersen, committee members, thank you for taking the time to read my testimony on Assembly Bill 543. Please accept my apologies that I cannot join you today.

Rising health insurance costs are a significant concern to business owners and employees alike. For many families, the brunt of increasing premiums is being passed onto them, which makes balancing household budgets more difficult. Because of this reality, it is our duty to make sure that the bills we pass don't inadvertently and unnecessarily increase health insurance costs.

The bill before you today, Assembly Bill 543, does three things. One: It closes some loopholes in the definition of what a health insurance mandate is. Two: It requires the Office of the Commissioner on Insurance to submit social and financial impact reports for amendments. And three: It adds accountability to the legislative process, so when you and I consider bills and amendments that include health insurance mandates, the impact to hard-working families can be analyzed before we make decisions that impact nearly every family in Wisconsin.

The social and financial impact reports mentioned in this bill are already required by statute. Unfortunately, these reports are sometimes submitted by OCI only after the legislature has considered and voted on bills that include health insurance mandates.

Take, for example, a case in 2009 when the legislature considered a bill (2009 Senate Bill 27) that required coverage of hearing aids and cochlear implants for children. The bill passed both chambers of the legislature and it wasn't until one day later that the commissioner at the time decided to release the report — which showed a financial impact of more than \$3 million.

To prevent this situation from happening, this bill requires the social and financial impact reports to be distributed to legislators and made available to the public prior to a public hearing, much like fiscal estimates already are. It is plain common sense that we as legislators should have the information in our hands to make wise, informed decisions before voting on bills that can impact the bottom line of nearly every family in Wisconsin.

Thank you again for taking the time to read my testimony. Please reach out to me if you have any questions, and I encourage you to support Assembly Bill 543.

To: Chairperson Kevin Petersen  
Members, Assembly Committee on Insurance

From: R.J. Pirlot, Alliance of Health Insurers  
Geraldyn Trujillo, America's Health Insurance Plans  
Steve Baas, Metropolitan Milwaukee Association of Commerce  
Bill G. Smith, National Federation of Independent Business-Wisconsin Chapter  
Tim Lundquist, Wisconsin Association of Health Plans  
Chris Reader, Wisconsin Manufacturers & Commerce

Subject: **Support for Assembly Bill 543, relating to social and financial impact reports**

Date: January 14, 2016

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## Overview

Current law requires the Commissioner of Insurance to submit a report to the legislature on the social and financial costs and benefits of legislation creating new health care insurance mandates. Unfortunately, such reports are sometimes submitted *after* the legislature has already considered the legislation. Assembly Bill 543 would prevent the legislature from holding a hearing on or taking a vote on such legislation until after it has received the report from the Commissioner of Insurance. Consumers and businesses want affordable insurance and legislators should know how such legislation will affect costs *before* a vote is held.

## Current Law

Under current law, the Commissioner of Insurance is required to “submit a report on the social and financial impact of any health insurance mandate, contained in any bill affecting an insurance policy, plan or contract, to the presiding officer of that house of the legislature in which the bill is introduced.<sup>1</sup>” Social impact factors in such a report include “[t]he portion of the state’s residents who use the treatments or services covered by the health insurance mandate” and “[t]he number of persons who would be eligible for coverage under the health insurance mandate, and the availability of insurance coverage for these persons without the health insurance mandate.<sup>2</sup>” Financial impact factors in such a report include “[w]hether the health insurance mandate may increase or decrease the costs of the treatments or services covered by the health insurance mandate” and [t]he impact of the health insurance mandate on total costs of health care in this state.<sup>3</sup>” There are additional social impact and financial impact factors required to be included under the law.

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<sup>1</sup> § 601.423(2), Wis. Stats.

<sup>2</sup> § 601.423(3)(a).

<sup>3</sup> § 601.423(3)(b).



## Assembly Bill 543

Assembly Bill (AB) 543 would:

1. Expand the definition of health insurance mandate triggering a social and financial impact report requirement to also include legislation requiring “a particular benefit design under an insurance policy, plan, or contract for the treatment of a particular disease, condition, or other health care need, for a particular type of health care treatment or service, or for the provision of equipment, supplies, or drugs used in connection with a health care treatment or service.” This is a loophole in current law which fails to require a report for bills which dictate health plan design changes or require change in cost sharing for a particular benefit, disease, or service.
2. Expand the requirement for a social and financial impact report to also apply to *amendments*, not just bills, closing this loophole in current law.
3. Establish a requirement that the legislature not consider a bill or an amendment requiring a social and financial impact statement report until the report has been distributed to the legislature. Ensuring the legislature has this cost/benefit information from the Commissioner of Insurance will help improve legislative consideration of new health care insurance mandates.

Why is AB 543 needed? Doesn't the Commissioner of Insurance already produce such reports? Though the Commissioner of Insurance is statutorily required to produce such reports, too often such reports have been issued *after* the legislature has considered the legislation or, in some instances, no report was ever issued. For example, 2009 Senate Bill 163, requiring health insurance coverage of colorectal cancer screening, was signed into law by Governor Jim Doyle on May 13, 2010, yet Governor Doyle's Commissioner of Insurance did not issue the required social and financial impact report until December 14, 2010. Similarly, 2009 Senate Bill 27, requiring health insurance coverage of hearing aids and cochlear implants for children, was passed by the Senate and concurred in by the Assembly on April 23, 2009, but the then-commissioner did not issue the required report until April 24, 2009, the day after legislative consideration.

In the rare circumstance in which the executive branch misuses the new procedural requirements included in AB 543 by delaying submittal of the report as a means of preventing legislative action, a “notwithstanding clause” could be added to any bill to ensure that the legislature maintains the functional right to pass a bill without executive branch encroachment.

### Conclusion

New state health care insurance mandates and state-dictated benefit design requirements can have both social and financial costs and benefits. We respectfully ask you support to AB 543 as a means to help ensure the legislature, when considering a new mandate or benefit design requirement, has the benefit of considering this statutorily-required information from the Commissioner of Insurance as the legislature debates the merits of a particular proposal.

For more information, please contact:

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