

FISCAL NOTE

Requested by Legislative Council

01/15/2003

Bill/Resolution No.: SB 2195

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill involves the North Dakota high-risk health insurance program referred to as CHAND. The first proposed change is a cost-savings measure which will extend the lifetime maximum benefit limit of \$1,000,000 currently in place for the standard products to include the over age 65 and disabled products. It is difficult to determine how many CHAND members will exceed the lifetime maximum limit or what the financial impact will be to the general fund. However, by including the over age 65 and disabled products, the program and State are assured that the total dollars paid by the program for any one individual will not exceed \$1,000,000. This change most probably will result in less expense for CHAND, which will result in a positive impact on the general fund at some time in the future when an individual reaches the \$1 million maximum, but it is impossible to predict the year or the amount of any savings.

The second proposed cost-savings change excludes from CHAND those individuals that are eligible for medical benefits from other sources, such as: the state's Medicaid program; inmates or residents of a public institution; or, those that receive reimbursement from or have premiums paid for by a government-sponsored program, government agency, health care provider, nonprofit charitable organization, or an employer. The language was adopted from the NAIC Model Health Plan for Uninsurable Individuals Act. It follows the lead of the Minnesota high-risk plan, Minnesota Comprehensive Health Association (MCHA). As with the first cost saving change, it is impossible to predict how many persons will be impacted, or to estimate the savings the change will have on CHAND.

The third proposal is the addition of a \$2,500 deductible plan with an out-of-pocket maximum of \$5,000. It is not actuarially feasible to determine the impact to the state's fund for several reasons. Once a year, CHAND enrollees have the ability to change between coverage options. Because CHAND does not have medical underwriting, the relatively healthy of the sick can opt for coverage with higher out-of-pocket costs and lower premiums until there is a need for more coverage and lower out-of-pocket cost. This is referred to as adverse selection. By receiving lower premiums initially, depending on the claims costs, CHAND could incur considerable losses on an individual; therefore, increasing the amount of any needed assessment. This impact is also impossible to predict.

It should be noted that CHAND's operations impact the general fund when CHAND's claims and expenses exceed its premium

income. The health insurance companies operating in North Dakota are assessed to cover the deficiency, but are allowed a credit against their premium tax in the amount of the assessment. Thus, assessments will eventually impact the general fund. It is difficult to predict when an assessment will occur and how much it will be.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/a

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

N/A

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