Individual State Agency Fiscal Note

Bill Number: 5728 SB	**Title:** Young adult health care prg	**Agency:** 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

A. Description

The bill adds a new section to RCW 48.68 that creates the Young Adult Affordable Healthcare Program, which provides a subsidy for young adults under age 26 who are US citizens living in Washington.

Under Section 2(2) of the bill, the OIC will develop the program and ensure access to private commercial health care products, which the bill says the OIC will certify as health savings accounts (HSAs) with catastrophic health plans.

Section 2(2) requires the OIC to allow interstate competition for these plans.

Section 2(3) requires the program to provide a subsidy to consumers who:

- Are ages 19 to 26, and
- Have an annual income below $100,000

The subsidy must:

- Be for half of the premium cost of an HSA with a catastrophic health plan;
- Terminate at the end of the month of the consumer's 26th birthday; and
- Be funded with federal dollars to the greatest extent possible

Under Section 2(4), if the consumer works for a company or government entity that offers an HSA and if the consumer is enrolled in an HSA, then the state will pay a portion of the consumer's premium.

Under Section 2(5), the account needs to be portable so that the consumer is the owner and has the ability to take it to another state.

Unfortunately, federal law does not actually allow the use of a HSAs with a catastrophic health plan. Specifically, under both the ACA and RCW 48.43.005(8)(c), a catastrophic health plan must provide three upfront visits that are not subject to the deductible. However, IRS requirements say that for an HSA-qualified plan, all services other than preventive services must be subject to the deductible. As a result, a catastrophic health plan cannot be a qualified HSA plan. Because health carriers know this, it is unlikely that they would begin selling such a plan in response to this bill.

For the purpose of being able to complete this fiscal note, we are assuming that federal law changes to allow a catastrophic health plan to be a qualified HSA plan so that the OIC would be able to implement the bill.

B. Impact on Information Technology Unit

If federal law changes to allow a catastrophic health plan to be a qualified HSA plan so that the OIC can implement the bill, Section 2 (1 through 4) would require new business processes and computer systems to automate those processes. The business processes that would be involved are outside the current knowledge, skills, and abilities of OIC staff (business and IT).

The agency would need to consult with other agencies that do this type of work, such as the Health Care Authority, which manages Apple Health and Medicaid.

Although the OIC is unable to estimate an IT system for a business process for which the agency has little to no understanding, it is likely that the IT effort to implement these changes would be significant and would require not only a new internal system for a new business unit, but also technical system interfaces with outside business partners such as Health Care Authority, federal agencies (for the subsidy funding), and the companies that sell the specific plans.

In addition, the bill would likely require changes to OIC Fiscal processes and the Fiscal module within SIMBA for the subsidy payments processes. The bill may also require changes to tax forms if there is a need to track premium volumes for these types of plans.

C. Impact of creating and implementing the program

If federal law changes to allow a catastrophic health plan to be a qualified HSA plan so that the OIC can implement this bill, then the OIC would need to create and implement a new process. The agency would either handle these tasks either within an existing OIC business unit or would create a new unit. The unit would need to create new processes and procedures, consult with other agencies that perform similar work and train new employees.

D. Impact on rules

If federal law changes to allow a catastrophic health plan to be a qualified HSA plan so that the OIC can implement this bill, then the OIC would need to change existing regulations to allow interstate competition. These changes would be a complex rule process.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

OIC assumes that the plans sold under the provisions of SB 5728 would be subject to both the insurance premium tax and the regulatory surcharge. However, there are sufficient variables in potential enrollment and premium level that OIC is unable to estimate the impact on the insurance premium tax and regulatory surcharge at this time.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

To implement this bill, the OIC believes one of two scenarios will occur.

1) The Federal Government Will Change federal law to Follow the Language in the Bill.

Expenditures for implementing the bill will come in the form of subsidies, operational changes, and rulemaking.

a) Subsidies

The 2015 OFM estimate for population between 18 and 25 years old was approximately 757,000. The current premium rate for an adult in this age range for Regence BlueShield Bronze plans with HSAs ranges from $153.73 to $257.41 in King County. With over 80% of households in this age group making less than $100,000 annually, and less than 30% of those in this age range eligible for Medicaid, the OIC believes that a majority of individuals in this age bracket will be eligible to enroll. If 380,000 of Washington young adults enroll under this bill and receive the 50% premium subsidies described in Section 2(3), the state could be responsible for over $400 million in annual subsidies. While the bill does require federal money to supplement this spending, no current federal subsidies apply to this funding.

b) Operational Changes

OIC currently has no operational capacity to design, sell, or subsidize plans as outlined in this bill. As such, a massive change in how OIC conducts business would be necessary to comply with bill language. Given a complete lack of information as to how this would happen, OIC is unable to estimate this total cost. However, just the software/IT solution to manage these changes is estimated to cost at least $5 million to develop and implement.

c) Rulemaking

For a bill of this magnitude, OIC estimates that there will be several years of complex rulemaking with the prospect of having to adapt to federal regulation changes more frequently than usual.

2) Federal Law Prohibits All/Portions of this Bill

OIC estimates that AG costs to defend this bill will exceed $10,000, with the prospect that costs could readily exceed $100,000 if it results in a protracted battle in federal court.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

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