

HF3198 - 3A - "OLA Report on Disparities Health Ins Rates"

Chief Author: **Barb Haley**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/09/2018**
 Agency: **Office of the Legislative Auditor**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	251	-	-	-
Total	-	-	251	-	-	-
Biennial Total			251			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Cole St. Arnold Date: 4/9/2018 10:41:59 AM
 Phone: 651 259-3799 Email: Cole.St.Arnold@state.mn.us

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021	
General Fund	-	-	251	-	-	-
Total	-	-	251	-	-	-
Biennial Total			251			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	251	-	-	-
Total	-	-	251	-	-	-
Biennial Total			251			-
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

The bill requests that the Office of the Legislative Auditor (OLA) study disparities between Minnesota’s nine geographic rating areas used in setting rates for individual and small group market health insurance policies. The study, if conducted, must (1) identify the extent to which various factors cause higher rates in certain rating areas; (2) identify the impact of referral centers on individual and small group market insurance rates in southeastern Minnesota, and identify ways to reduce the rate disparity between southeastern Minnesota and the Twin Cities metropolitan area; (3) determine the extent to which individual and small employers in rating areas with higher rates have obtained health insurance in lower-cost rating areas, identify strategies that these employers use to obtain health insurance in lower-cost rating areas, and measure the effects of this practice on the rates of employers remaining in the higher-cost rating areas; and (4) develop proposals to redraw the boundaries of Minnesota’s geographic rating areas and calculate the effects that each proposal would have on rates in each of the proposed rating areas.

The bill allows OLA to contract with another entity for technical assistance in conducting the study. The bill requests completion of the study by January 1, 2019.

Assumptions

OLA has no staff currently available to complete the study. In response to requests from legislators, the Legislative Audit Commission recently selected six topics for evaluation by OLA. Our commitment is to complete those evaluations by early 2019, and that will require all current evaluation staff to work on them full time throughout the remaining months of 2018. In addition, the study requested is highly technical and would require OLA to contract with individuals and/or firms with specialized expertise in health economics and actuarial analysis. We would need to supplement those experts with staff able to collect, prepare, and analyze complex data, conduct interviews and surveys, and assist in writing a report. Finally, given the large amount of data involved, OLA would need to enhance its data storage capacity.

OLA would also have to devote considerable time and attention to hiring individuals and/or firms to conduct the study, as well as overseeing their work. And, again, OLA management and administrative staff are already fully committed to other audits, evaluations, and special reviews. To fulfill this need, we would have to try to sign a post-retirement agreement with a former, experienced OLA evaluation manager or person with comparable experience.

The bill includes an unspecified appropriation from the General Fund, so we have assumed that funding for this study would come from the General Fund in fiscal year 2019.

Expenditure and/or Revenue Formula

Contract actuarial assistance: 150 hours @ \$275 per hour: \$41,250

Contract for research, administrative, and management assistance: 1,200 hours @ \$150.00 (average) per hour: \$180,000

OLA enhanced data storage capacity: \$30,000

Long-Term Fiscal Considerations

The bill would not have long-term fiscal implications.

Local Fiscal Impact

The bill would not have local fiscal impacts.

References/Sources

OLA has not conducted a study that closely resembles the one requested by this bill, but we used prior experience hiring actuaries and researchers to inform our estimates for hourly rates. Although we talked with the departments of Health and Commerce as we considered the staffing needs for this study, our estimate of the number of hours that would be required to complete this study is a rough approximation.

Joel Alter (651-296-4708 or joel.alter@state.mn.us)

Jim Nobles (651-296-4708 or james.nobles@state.mn.us)

Agency Contact: Jim Nobles

Agency Fiscal Note Coordinator Signature: Eric Jacobson

Phone: 651 296-4720

Date: 4/9/2018 10:31:01 AM

Email: Eric.Jacobson@state.mn.us