



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
 (803)734-0640 • RFA.SC.GOV/IMPACTS

**Bill Number:** H. 4657 Signed by Governor on May 18, 2018  
**Author:** Sandifer  
**Subject:** Insurance, Health Maintenance Organization  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Gable  
**Impact Date:** June 21, 2018

**Estimate of Fiscal Impact**

	FY 2018-19	FY 2019-20
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	Undetermined	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill will have a minimal expenditure savings impact due to less frequent examinations of the thirteen health maintenance organizations (HMOs) which will be offset by a revenue loss of examination expenditure remittance to the Department of Insurance (DOI). Additionally, any additional expenditure savings above the offsetting remittance will be reallocated to other activities within DOI, resulting in no overall impact to expenditures.

This bill will have an undetermined, yet minimal, revenue impact on the General Fund beginning in FY 2018-19, as the increased scope of potential violators subject to administrative penalties is expected to be minimal. Additionally, this bill will have a minimal Other Funds revenue loss beginning in FY 2018-19 due to less frequent examination expenditure remittances from HMOs to DOI.

**Explanation of Fiscal Impact**

**Signed by Governor on May 18, 2018**

**State Expenditure**

This bill decreases the frequency of examinations of health maintenance organizations (HMOs) by the Department of Insurance (DOI) from three years to five years. State law requires that DOI examination expenses be paid by the examined insurers. There are only thirteen HMOs active in the state. Therefore, this bill will not materially alter the department's examination activities. The DOI anticipates that any expenditure savings associated with less frequent HMO examinations will be reallocated to other examination duties. As such, there will be no General Fund, Other Funds, or Federal Funds expenditure impact to DOI from this bill.

**State Revenue**

This bill allows the director of DOI to levy administrative penalties for federal violations within DOI's jurisdiction. However, as state and federal violations are similar in nature, this is expected to neither increase the number of penalties, nor increase administrative penalty revenue remitted to the General Fund.

Additionally, this bill adds individuals and HMOs to the list of potential violators subject to administrative penalties. Previously, DOI could only levy administrative penalties for state violations committed by insurers. DOI believes the additional potential violations may increase General Fund revenue but because the number of individuals and HMOs that are subject to these penalties are so few this will have only a minimal undetermined increase to General Fund revenue beginning in FY 2018-19.

Finally, this bill decreases the frequency of examinations of HMOs. The expenses of these examinations will continue to be remitted to DOI from the insurers. As DOI indicates that any expenditure savings associated with less frequent HMO examinations will be reallocated to other examination duties, we expect Other Funds revenue from examination cost reimbursements will not change.

Overall, the impact of this bill on General Fund revenue is undetermined, but anticipated to be minimal, beginning in FY 2018-19.

**Local Expenditure**

N/A

**Local Revenue**

N/A



---

Frank A. Rainwater, Executive Director