



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0009 Signed by Governor on May 19, 2017
Author: Hutto
Subject: Medical Expense Policy
Requestor: Senate
RFA Analyst(s): Gable
Impact Date: May 23, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$25,000	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

The bill would increase the General Fund premium insurance tax revenue by \$25,000 due to the increased premiums associated with the increased cost of coverage. There would be no expenditure impact on the General Fund, Other Funds, or Federal Funds.

Explanation of Fiscal Impact

Signed by Governor on May 19, 2017

State Expenditure

This bill requires insurers to cover matters pertaining to intoxicants and narcotics under medical expense policies by disallowing the provision in §38-71-370(9) beginning with policies issued or renewed after December 31, 2017.

The mandated benefit for coverage on matters pertaining to intoxicants and narcotics was in place prior to December 31, 2011. Therefore, it is considered an essential health benefit and is not subject to defrayment by the State (45 CFR 155.170). This bill does not create a new mandated benefit. Instead, it disallows an exception for a previously established mandated benefit.

DOI would have to review and approve the policies when these policies are first modified to fulfill the requirements of this bill. However, as only policies renewed or issued after December 31, 2017 would be modified, the cost to DOI would be minimal and could be absorbed within existing appropriations.

State Revenue

This bill requires insurers to cover matters pertaining to intoxicants and narcotics under medical expense policies by disallowing the provision in §38-71-370(9), which would cause an increase in premiums and thereby an increase to the General Fund premium tax revenue in FY 2017-18.

Based on the response from DOI, approximately 240,000 covered lives may be impacted by this bill. The department based this estimate on information in the 2015 Supplement Health Care Exhibit Report. However, not all of these policies currently include the §38-71-370(9) exclusion and there may be other policies that do. Also, not all of these policies may be renewed after December 31, 2017.

The resulting total member months would be 2,910,000. A member month is the number of months for which one individual is covered under a policy. Different policies have different member months. A policy may cover one individual for only six months and have 6 member months, while another policy may cover a family of four for a year and have 48 member months. DOI estimates the growth rate for member months from 2015 to 2016 to be approximately 25 percent, resulting in 3,596,000 member months. The estimated median cost for each member per month for the additional coverage is \$0.47, resulting in \$1,689,000 in insurance premiums plus an additional \$311,000 in miscellaneous expenses leads to an overall increase of \$2,000,000 in premiums. However, given the nature of the claims associated with this coverage, these claims are characterized by high cost claims on an infrequent basis. Therefore, the actual implementation of this coverage may have vastly different results. The premium tax is 1.25 percent. An increase of \$2,000,000 in premiums would result in a \$25,000 in the General Fund premium tax revenue.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director