SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0400 Introduced on February 14, 2017
Author:	Davis
Subject:	SC Right to Shop for Health Care Act
Requestor:	Senate Banking and Insurance
RFA Analyst(s):	Gable
Impact Date:	April 20, 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	Undetermined	$0
Other and Federal	$0	$0
Local Expenditure	$0	$0
Local Revenue	$0	$0

Fiscal Impact Summary
This bill is expected to have an undetermined impact on General Fund insurance tax premium revenue as the potential increase to premiums is unknown. This bill is expected to have no expenditure impact on the General Fund as the development of a review process and training staff can be managed within existing appropriations of the Department of Insurance. This bill is not expected to impact Other Funds or Federal Funds.

Explanation of Fiscal Impact

Introduced on February 14, 2017
State Expenditure
This bill requires both healthcare providers and insurance carriers, at the request of the patient or prospective patient, to provide a good faith estimate on out-of-pocket costs and the amount the carrier would pay for nonemergency procedures, services, and admissions. The estimate should include all known expenses and the incomplete nature of the estimate if there are unknown elements to the procedure, service, or admission. After the request is made healthcare providers have two working days and carriers have two days to provide the estimate. Also, insurance carriers are required to establish a program that enables enrollees to obtain information on payments made by the carrier to network providers for health care services and to compare the costs of services among network providers.

Additionally, this bill requires insurance carriers to establish a program that provides incentives to encourage enrollees to shop for lower priced health care services. An incentive may be calculated by any reasonable methodology approved by the Department of Insurance, but must be offered as a cash payment to the enrollee and must provide the enrollee with at least 50 percent of the cost savings over $50 of the average price paid for a service. Further, the methodology for establishing both the average price paid for a service and the customer reported actual price paid must be reviewed and approved by the Department of Insurance. Incentive payments relative to this section are not an administrative expense of the carrier for rate development or rate filing purposes.

Furthermore, this bill requires insurance carriers to file an annual report with the Department of Insurance pertaining to the various aspects of the incentive program established by this bill, beginning March 1, 2019. The Department of Insurance, beginning April 1, 2020, will compile these reports and provide the consolidated report to the Senate Banking and Insurance Committee and the House of Representatives Labor, Commerce, and Industry Committee.

This bill will go into effect six months after approval by the Governor.

Public Employee Benefit Authority (PEBA). The State Health Plan is a self-funded insurance benefits program that does not meet the definition of an insurance carrier as defined in this bill. Therefore, this bill will not operationally or fiscally impact PEBA and would not have an impact on the General Fund, Federal Funds, or Other Funds.

However, currently the Senate version of the annual general appropriations act includes a proviso that creates a Shared-Savings Incentive Program Study Committee. As established by Proviso 108.14, this 5 member committee, composed of the Speaker of the House or his designee, the President Pro Tempore of the Senate or his designee, the chairman of the Senate Finance Committee or his designee, the chairman of the Ways and Means Committee or his designee, and a non-representative member of the PEBA Board of Directors that is appointed by the Governor, will identify the requirements, costs, and benefits of implementing a shared-savings incentive program for state-employed, public sector or retired employees who elect to shop and receive health care services at a lower cost than the average price paid by the carrier for a comparable health care service. This committee will be studying the cost and benefits of an incentive program within PEBA similar to the one required of insurance carriers in this bill.

Department of Insurance. This bill requires the Department of Insurance to review and approve the incentive program of insurance carriers and the various components therein. The department anticipates a nonrecurring minimal expense associated with hiring an actuarial firm to help develop the review process and train staff in the first year of review which can be managed within existing appropriations. Once the review process has been established and staff trained, the department anticipates being able to manage the additional recurring responsibilities of reviewing and approving incentive programs with existing staff and within the existing budget. Additionally, the department is required to create an aggregated report of all of the information provided by the carriers relative to the incentive program. This report is to be presented to various legislative committees. The department anticipates being able to manage any additional costs associated with consolidating this report within its existing budget and within existing staff. Therefore, it is expected that this bill will have no expenditure impact on the General Fund, Other Funds, or Federal for the Department of Insurance.

State Revenue
This bill requires all insurance carriers to provide estimates for out-of-pocket and covered costs for a proposed nonemergency procedure, service, or admission at the request of an enrollee. Also, carriers are required to create an incentive program that will provide enrollees with at least 50 percent of the savings associated with the enrollee receiving covered services that are at least $50 cheaper than the average cost of a comparable service. Incentive payments relative to this section are not an administrative expense of the carrier for rate development or rate filing purposes. However, there may be other costs associated with creating and maintain the program that would increase administrative costs. Currently, there is insufficient information available to determine the potential impact this bill would have on insurance carriers.

An increase in administrative costs and other potential costs would likely be reflected in higher premiums for the enrollees. The General Fund insurance premium tax is 1.25 percent of insurance premiums. Therefore, an increase in premiums would result in an increase in General Fund insurance premium tax revenue. However, as there is insufficient information available on the potential costs on carriers and the resulting increase in premiums, the potential increase of the General Fund insurance premium tax revenue is undetermined.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director