

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1253 - SB 1414

March 25, 2009

SUMMARY OF BILL: Directs the Commissioner of Commerce and Insurance to conduct a review of the effects of insurance companies closing a block of business and the resulting cost to individuals to replace that coverage. The Commissioner will report findings and recommendations for legislation to the Commerce Committee of the House and the Labor and Agriculture Committee of the Senate no later than February 1, 2010.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$10,000/One-Time

Assumptions:

- According to the Department of Commerce and Insurance, it is current practice for insurers to create health insurance policies that have a particular set of benefits with a particular price and a particular form number. Once the insurers decide they need to adjust the policy to add different benefits, they create a different policy with a different price and different form number. The more healthy customers will, at this time, begin shopping for a newer, cheaper insurance policy while the others will not qualify for the newer cheaper insurance policy and will be required to remain under the original policy. The individuals under the new policy make one block of business while the individuals who remain under the original policy make a different block. The reduction in the size of the original policy (block) and the health status of the individuals who remain under the original block tend to result in cost increases in the original block because of the amount of claims being paid out.
- According to the Department of Commerce and Insurance, to thoroughly research and identify the effects of insurance companies closing blocks of business, and to meet the February 1, 2010, deadline, there will be a need to hire outside consultants to conduct the data analysis. This data analysis will include research on how other states handle this issue as well as information from health insurance providers with regards to their rating practices.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and "W".

James W. White, Executive Director

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