TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 1886 - SB 2234

February 14, 2014

SUMMARY OF BILL: Prohibits any health insurance issuer from accepting any payment related to risk corridors as authorized by § 1342 of the Patient Protection and Affordable Care Act (PPACA) for any policy issued or renewed after December 31, 2014.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- According to the Department of Commerce and Insurance, the provisions of the bill will have minimal impact on current departmental operations.
- The provisions of the bill do not apply to the TennCare program because they do not qualify for the risk corridor payments under the PPACA.
- Any fiscal impact to state government is estimated to be not significant.

IMPACT TO COMMERCE:

Other Impact to Commerce - While an exact impact to commerce cannot be determined because the claims experience of the insurance companies in the exchange is unknown, if insurance companies have to pay into the risk corridor while not being able to receive payments from the risk corridor, the net impact to commerce could be negative to insurance companies statewide.

Assumptions:

- According to the Department of Commerce and Insurance, the department does not have the authority under the PPACA to restrict payments made by the federal government to an insurer.
- Under a federally facilitated exchange or a partnership exchange, the federal government determines what payments companies are authorized to receive or pay under the risk corridor program.

- Under the risk corridor program, actual claims are compared to the expected claims that were assumed in the insurer's premiums. If actual claims are within three percent of expected, insurers either keep the gains or bear the losses. If actual claims exceed expected claims by more than three percent, the U.S. Department of Health and Human Services (HHS) reimburses the plan for at least 50 percent of the excess loss. If actual claims fall below expected claims by more than three percent, the plan pays HHS at least 50 percent of the excess.
- If the proposed legislation passes, health insurance companies would be prohibited from accepting payments from the federal government under a temporary risk corridors program; therefore, insurance companies would not receive 50 percent reimbursement for actual claims that exceeded expected claims by more than three percent.
- The health insurance companies could still be required to make payments to the federal government under this program; therefore, insurance companies that experienced actual claims that were more than three percent below expected claims would pay at least 50 percent of the excess to HHS.
- While an exact impact to commerce cannot be determined because the claims experience of the insurance companies in the exchange is unknown, if insurance companies have to pay into the risk corridor while not being able to receive payments from the risk corridor, the net impact could be negative to insurance companies statewide.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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