

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 961 - HB 1324

March 23, 2015

SUMMARY OF BILL: Directs the Commissioner of Finance and Administration, on or before July 1, 2015, to submit an appropriate waiver under any applicable federal law to the federal Department of Health and Human Services (HHS) that expands eligibility for veterans to the full extent permitted by the Patient Protection and Affordable Care Act (PPACA) on a basis of income. Defines “veteran” as a person who served in the uniformed services and who was discharged or released therefrom under conditions other than dishonorable.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$6,665,300

Increase State Expenditures - \$44,703,700

Increase Federal Expenditures - \$83,149,100

Assumptions:

- Based on information provided by the Bureau of TennCare, the previously proposed Insure Tennessee program estimated enrollment of 24,000 veterans. It is assumed that any Medicaid expansion for veterans based on income will result in 24,000 veterans being enrolled.
- This cost analysis is based on the per member per month (pmpm) rates that were used in the analysis for the previously proposed Insure Tennessee plan of \$420.79 pmpm in year one.
- The increase in expenditures is estimated to be \$121,187,520 (24,000 x \$420.79 x 12 months).
- These individuals will now be insured in the TennCare program and will result in an increase in premium tax revenue that will be paid with state and federal funds through TennCare.
- The current premium tax rate is 5.5 percent resulting in an increase in state revenue of \$6,665,314 (\$121,187,520 x 0.055).
- Based on information provided by the Bureau of TennCare, the federal HHS may approve the expansion but may not approve the enhanced federal matching funds due to the limited population that will be served.
- The federal matching funds are estimated to be 65.035 percent; therefore, state funds of 34.965 percent will be expenditures.

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- The increase in state expenditures is estimated to be \$44,703,743 [(\$121,187,520 premiums + \$6,665,314 premium tax) x 0.34965].
- The increase in federal funds is estimated to be \$83,149,091 [(\$121,187,520 premiums + \$6,665,314 premium tax) x 0.65035].

IMPACT TO COMMERCE:

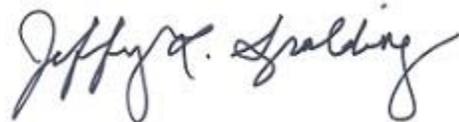
Other Impact – The estimated fiscal impact to commerce in the state as a result of the proposed legislation cannot be reasonably determined due to a number of unknown factors. In the first full year, it is estimated that over \$121 million dollars in state and federal funds will be paid into the health care system. The majority of these funds will be paid to insurance companies that will then pay claims to health care providers.

Assumptions:

- There could be varying degrees of economic impact to the health care industry as a whole in the state of Tennessee including but not limited to health insurance companies, hospitals, clinics, individual health care providers, and pharmacists.
- According to the Bureau of TennCare, there are approximately 24,000 individuals who would be eligible for healthcare under the proposal within the first full year and it is estimated that over \$121 million in state and federal expenditures will be paid for coverage.
- These individuals would now be enrolled in health insurance and could receive health care services that they are not currently seeking which could result in increased business for health insurance companies contracted with the state and health care providers within the MCO networks.
- These individuals would no longer be uninsured and could receive health care services that they are not currently seeking. Depending on the health status of these individuals, this could result in a positive or negative financial impact to the individual health insurance companies.
- Health care providers could incur economic impacts based on the medical coverage that is obtained through Medicaid versus the type of care the individual is receiving as an uninsured individual. Due to a number of unknown factors which include, but are not limited to, the health status of those individuals obtaining health insurance through the plan, and the variation in costs for health care services, a reasonable estimate of the impact the proposed legislation may have on commerce is indeterminable.

CERTIFICATION:

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



Jeffrey L. Spalding, Executive Director

/kml