



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

<b>Bill information:</b>	
SB0552 - Generally revise laws related to healthcare insurance risk pools (Hertz, Greg )	
<b>Status:</b>	As Introduced

<input type="checkbox"/> Significant Local Gov Impact	<input checked="" type="checkbox"/> Needs to be included in HB 2	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts	<input type="checkbox"/> Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$1,740	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund		Significant but Unknown		
State Special Revenue	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>		Significant but Unknown		

**Description of fiscal impact:** This bill generally revises insurance laws and requires certain disability insurers to pool risk among all of their certain groups. The State Auditor's Office can implement the requirements of SB 552 with current staff and minimal operational impact, so there is no fiscal impact to the state. The office is unable, however, to determine costs for lost premium tax and increased defrayal of mandated benefits.

### FISCAL ANALYSIS

#### Assumptions:

##### State Auditor's Office


- Amending the State Auditor's Office's Administrative Rules of Montana (ARM) through the Montana Administrative Procedures Act (MAPA) will cost the office approximately \$1,740. This includes paralegal (18 hours x \$30/hour = \$540) and attorney (12 hours x \$50 = \$600) hours and \$600 in filing costs (\$60 per page cost, estimated 10 pages).
- Certain health insurers do not participate in the small group market as they wish to avoid Affordable Care Act (ACA) regulations. This bill may eliminate competition in the 51-100 market.

- 3. NEW SECTION. Section 3 (20), changes the definition of small group from 2-50 to 2-100. This change will subject groups in the 51-100 range to the ACA. This change will subject these groups to the essential health benefits and the actuarial requirements of the ACA. Most likely, this will raise premiums and larger, healthier groups may opt to go self-funded. It is unknown how many groups would go self-funded, but the state would lose premium tax revenue on the groups that go self-funded. If only the unhealthy groups remain, it will cause adverse risk selection, causing the rates in the small group market to increase.
- 4. Increasing the group size from 2-50 to 2-100 will also have an impact on defrayal of state mandated benefits. Currently, only the pediatric hearing aid mandate passed in 2021 requires the defrayal by the state. It is unknown what the impact will be, but if SB 552 passes, it will increase the costs to the state general fund for defrayal. Additionally, there are currently bills moving through the 2023 legislature that will require the state to defray the costs should they pass.

**Technical Notes:**

- 1. NEW SECTION. Section 1: Page 1, line 15 the SAO believes should state: this section prohibits an insurer from pooling members from groups that consist of greater than 100 eligible employees.
- 2. NEW SECTION. Section 5. Contingent effective date. [Section 2] is effective on the date that the commissioner of insurance certifies to the code commissioner that the federal government has waived applicable federal insurance requirements relating to [section 2]. The commissioner of insurance shall submit certification within 30 days of the occurrence of the contingency.
  - a. The SAO is unaware of a federal waiver necessary for this change and therefore may not be able to obtain a waiver if none such waiver exists.
  - b. In the places in section 5 where section 2 is in brackets, we believe it should be section 3, not section 2.

NO SPONSOR SIGNATURE

<i>Sponsor's Initials</i>	<u>3.31.23</u> <i>Date</i>	 <i>Budget Director's Initials</i>	<u>3-30-23</u> <i>Date</i>
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