

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 61(HSS)
 (S) Publish Date: 3/16/09

Identifier (file name): SB61-CED-INS-03-02-09 Dept. Affected: DCCED
 Title: MANDATORY UNIVERSAL HEALTH INSURANCE RDU: Insurance
 Component: Insurance Operations
 Sponsor: Senator French
 Requester: Senate Health & Social Services Component Number: 354

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES							
Personal Services	878.1		1,756.1	1,756.1	1,756.1	1,756.1	1,756.1
Travel	48.2		96.4	96.4	96.4	96.4	96.4
Contractual	1,979.5		1,134.0	1,134.0	1,134.0	1,134.0	1,134.0
Supplies	24.0		12.0	12.0	12.0	12.0	12.0
Equipment	431.4		9.0	9.0	9.0	9.0	9.0
Land & Structures							
Grants & Claims							
Miscellaneous (Premium Costs)	1,146,000.0		1,146,000.0	1,146,000.0	1,146,000.0	1,146,000.0	1,146,000.0
TOTAL OPERATING	1,149,361.2		1,149,007.5	1,149,007.5	1,149,007.5	1,149,007.5	1,149,007.5
CAPITAL EXPENDITURES							
CHANGE IN REVENUES (1105)	564,000.0		564,000.0	564,000.0	564,000.0	564,000.0	564,000.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	585,361.2		585,361.2	585,361.2	585,361.2	585,361.2	585,361.2
1005 GF/Program Receipts	564,000.0		564,000.0	564,000.0	564,000.0	564,000.0	564,000.0
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	1,149,361.2		1,149,361.2	1,149,361.2	1,149,361.2	1,149,361.2	1,149,361.2

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time	24		24	24	24	24	24
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

The purpose of this bill is for all Alaskans to have access to essential health care services. It requires all residents to have health insurance and creates an Alaska health insurance program. The bill establishes the Alaska Health Care Board to oversee the program and the Alaska Health Care Clearinghouse to administer the program, under the direction of the Board. The effective date of the Act is January 10, 2010.

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Phone: (907)269-7900
 Date/Time: 3/2/09 9:00 AM
 Date: 3/2/2009

ANALYSIS CONTINUATION

Caveat: The Division of Insurance has no existing expertise in establishing or administering State benefits programs. The Division of Insurance oversees the conduct of insurance companies, ensures solvency, and approves rates and forms. The Division of Insurance does not determine what are minimum essential health services or how they should be priced. Further, the Division of Insurance has no expertise in determining the eligibility of individuals for government subsidies. All of this expertise will have to be developed by the Division of Insurance from scratch, primarily by recruiting and hiring a substantial number of employees with this type of expertise.

Senate Bill 61 allows for a wide range of options that may be considered essential health care services. As a result, it is not possible to determine the cost of the bill with a high confidence in accuracy. The range of possible costs is wide, depending upon how the Board defines certain terms.

This fiscal note examines the potential cost of the program, as well as the estimated cost of administering the benefit. Costs for insurance premiums are very preliminary until the "essential health care services" are defined. This fiscal note reflects the high-premium scenario using the State of Alaska employee plan as a model and is not broken out by budget component.

Assumptions:

*The Health Care Fund only pays for the non-Medicaid eligible population. State matching funds for Medicaid do not come from the Fund.

*The estimated cost for insurance premiums is \$12,000 per person per year (based on the State of Alaska employee insurance plan).

*The cost of premiums to purchase insurance are on a needs-based sliding scale. The State share of premiums will be paid from the Fund.

*Co-pays and deductibles are not addressed in the bill so we assume none are required by any plan.

*There are an estimated 115,000 uninsured persons in Alaska, 83% of whom are adults.

Cost Estimates for Alaska Health Care Program:

*There are 27,000 uninsured persons who are below 100% of the poverty level. Insurance is provided at no cost to the individual. Total cost to the state is \$324,000,000.

*43,000 have incomes between 100% and 300% of poverty. They would pay premiums on a needs-based sliding scale. With an estimated average cost of \$6,000 per person, the total cost to the state is \$258,000,000.

Above 300% of poverty: \$0 total. No cost to the State.

*There are about 25,500 uninsured individuals who are above 300% of the poverty level. They would bear the full cost of the mandatory insurance. These individuals would bear a total cost of about \$306,000,000.

Fund Source

*A portion of the cost will be paid by a payroll tax of up to 2%, depending upon the size of the business. The Division of Insurance is aware of no statistics on which to estimate the amount of money that would be raised by the tax.

* A portion of the cost will also be funded by premiums paid in part by persons with income between 100% and 300% of the poverty line. These revenues are shown in the general fund program receipts fund source.