

FY 1998		FY 1999	
Counties			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Savings of up to \$4.0-\$8.0 million	Indeterminate effect	Indeterminate effect
School Districts			
Revenue	Indeterminate value gained	Indeterminate value gained	Indeterminate value gained
Expenditures	Potential negligible decrease	Potential negligible decrease	Potential negligible decrease

- The additional administrative burden placed on HICs by the bill could result in negligible increases in premium rates. This however depends on how HICs choose to recoup these costs. In essence there could be a negligible increase in local government costs of providing employee health benefits.
- Violators of state law regarding utilization could result in civil action in common pleas courts, potentially increasing court costs for affected counties. The Superintendent of Insurance may also pursue violators of the bill's provisions in the Franklin County Common Pleas Court, which may have a financial impact on this court.
- Counties could realize savings on insurance premiums when constructing sports facilities. Specifically, Hamilton county will save an estimated \$4.0 - \$8.0 million of total project costs related to its "new" sports facility.
- School districts would gain usable computer equipment of indeterminate value.

Detailed Fiscal Analysis

The bill establishes operating standards for managed care organizations by defining the responsibilities of HICs, physicians, and consumers, and requires a utilization review process.

Fiscal Effects on the Department of Insurance

Potential Cost Increases

The bill would expand the regulatory workload of the Department of Insurance. According to a spokesperson for INS, the additional workload would result from additional filings of provider contracts with HICs, continued review of standards, and investigation of complaints. These increased administrative duties will require 7-8 new staff and equipment, in the Managed Care and the Market Conducts Divisions of the department, totaling an estimated \$480,000 in added costs in the year of implementation and approximately \$400,000 in each subsequent year, assuming an effective date of October 1, 1998. The department expects to fund these increased costs from the cash balance in its operating fund, Fund 554, and will seek Controlling Board approval for spending authority, prior to the effective date of the bill.

<i>Fund 554 - Total Resources and Spending Authority</i>					
	FY 1995	FY 1996	FY 1997	FY 1998*	FY 1999*
Total Spending	\$11,783,343	\$12,716,050	\$13,165,677	\$16,169,582	\$15,909,623
Total Resources ¹	\$21,385,286	\$23,719,984	\$26,852,415	\$26,716,386	\$23,816,804
Ending Cash Balance ¹	\$9,459,257	\$10,919,120	\$13,666,386	\$10,546,804	\$7,907,181

* FY 1998 & FY 1999 spending include increases granted by the Controlling Board on Sept. 29, 1997.
1. FY 1998 & FY 1999 are estimated amounts.

Lastly, the Superintendent of Insurance can charge HICs for INS's costs from market conduct examinations, audits, and "disciplinary" actions. (Such charges are currently allowed

these costs only in circumstances where these "additional" market conduct examinations and audits performed to verify compliance with provisions of the bill are over and above "normal

Violations of the bill's provisions regarding utilization review could generate costs for both INS and the Attorney General's office. Such violations permit the Superintendent of

The current Superintendent rarely uses these powers so the fiscal effect is likely to be minimal. Additionally, this could also result in civil action in common pleas courts, potentially increasing

the bill's provisions in the Franklin County Common Pleas Court, which may have a financial impact on this court.

The effect of this bill could place an additional administrative burden on HICs. According to the spokesperson for INS, many of the HICs in the state already conduct business cost increases.

However, the additional administrative burden placed on HICs by the bill could result in how HICs choose to recoup these costs, if any. In essence there could be a negligible increase in state and local government costs of providing employee health benefits. A spokesperson for the premiums paid by public employers and subsequently state benefit costs.

County Self-Insurance

employed on the construction of a sports facility. Specifically, the bill allows for a one-time pilot project for Hamilton County to self-insure in the construction of its proposed sports facility. This

pilot will save Hamilton County an estimated 1 to 2 percent of the total project cost of \$400 million, resulting in approximately \$4 - \$8 million in savings to Hamilton County.

Computer transfers

The bill would also allow the Administrator of the Bureau of Workers Compensation (BWC) to transfer “old” computers and peripherals to school districts, as opposed to the current state system that requires such equipment to be transferred to the Department of Administrative Services (DAS) where they are ultimately auctioned to the general public. This change would result in a minimal loss of revenues to DAS. However, the potential gain of usable computer equipment to school districts would significantly outweigh any loss to DAS.

□ *LBO staff: Ogbe O. Aideyman, Economist/Budget Analyst*

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