

HF3818 - 0 - Health Insurance Geographic Rating Areas; Report

Chief Author: **Barb Haley**  
 Committee: **Commerce Finance and Policy**  
 Date Completed: **3/9/2022 2:35:57 PM**  
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	108	-	-	-
<b>Total</b>	-	-	<b>108</b>	-	-	-
<b>Biennial Total</b>			<b>108</b>			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	.26	-	-
<b>Total</b>	-	-	<b>.26</b>	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	108	-	-
<b>Total</b>		-	-	<b>108</b>	-	-
<b>Biennial Total</b>				<b>108</b>		
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	-	108	-	-
<b>Total</b>		-	-	<b>108</b>	-	-
<b>Biennial Total</b>				<b>108</b>		
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		

**Bill Description**

House File 3818 requires the Commerce Department to study and produce a report on disparities between the nine geographic rating areas in Minnesota’s individual and small group market.

House File 3818 specifies that the study of the geographic rating areas must identify factors causing higher rates, as well as the impact of referral centers in southeastern Minnesota and the metro area. The bill’s requirements for the study also include determining the extent to which individuals and small employers obtain health insurance from a lower-cost geographic rating area, analyzing the impact of this on overall rates.

The bill requires that proposals be developed to redraw the boundaries of the geographic rating areas in order to reduce disparities and provide stability to the individual and small group markets. The bill also indicates that proposals must be designed with consideration to the existing composition of provider networks and referral patterns in the state, and in compliance with 45 § CFR 147.102(b).

House File 3818 further requires health carriers to comply with any requests for information from Commerce in order to conduct the study. The bill also authorizes Commerce to contract with other entities for technical assistance.

The report on the geographic rating areas and subsequent proposals are due to the legislature on January 1, 2023.

**Assumptions**

Commerce assumes that HF3818 will have an immediate fiscal impact on the agency, limited to only one fiscal year. Commerce assumes HF3818 will be effective July 1, 2022 based on the associated appropriation in the current bill text.

Commerce assumes that it will utilize at least two existing staff, dedicating 25 percent of their time to developing a project plan, soliciting technical expertise, and overseeing the project for the duration of six months.

State Health Actuary : 10 hours/week x 26 week = 260 hours (.13 FTE)

SPA Principal: 10 hours/week x 26 week = 260 hours (.13 FTE)

Due to a combination of the complexity of the analysis, the possible need for federal waivers and the timeline for completion. Commerce assumes the external technical expertise will be required to complete the study and report under HF3818 in addition to dedicated agency staff. Commerce also assumes that the work required of any vendor to meet the bill’s requirements would be equivalent to the scope of two quick call contracts totaling \$25,000 each.

Commerce assumes that it will solicit vendors for two quick contracts and use 520 hours of existing staff in order to meet

the requirements of this bill.

**Expenditure and/or Revenue Formula**

\$50,000 for two quick call contracts (250 x \$200 per hour) plus the 520 hours of staff time.

	FY23	
Salary	\$36,001	
Fringe	\$10,800	
Other Personnel Related Costs	\$11,084	
Total	\$57,885	

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

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