

**Kentucky Department of Insurance
Financial Impact Statement**

- I. Mandating health insurance coverage of BR 821/SB 44 GA, is not expected to materially increase premiums, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Health benefits for state employees and the KY Medicaid population were excluded from this analysis. The mandate requires the following:
- a. Except as required by (c) below, requires insurers to accept and count towards the insured's contributions to any applicable premium or cost-sharing requirement, premium and cost-sharing payment made on behalf of an insured from the following:
 - i. A state or federal government program, including payment made by programs operating in accordance with title XXVI of the federal Public Health Service Act;
 - ii. An Indian, tribal organization, or urban Indian organization; and
 - iii. A program conducted by an organization that is exempt from taxation under 26 U.S.C. sec. 501(a), described in 26 U.S.C. sec. 170(b)(1)(A)(i) or (vi), and is operating in compliance with applicable federal laws, including the False Claims Act, 31 U.S.C. secs. 3729 to 3733.
 - b. To the extent permitted under federal law, all health benefit plans may accept, and count towards the insured's contributions to any applicable premium or cost-sharing requirement, premium and cost-sharing payments made on behalf of an insured by any person not referenced...". Note: we do not interpret this to be a mandate, but an allowance, and therefore did not consider this in the analysis performed.
 - c. If these requirements would be the sole cause of a health benefit plan's failure to qualify as a Health Savings Account-qualified High Deductible Health Plan under 26 U.S.C. sec. 223, then the requirements do not apply until the minimum deductible under 26 U.S.C. sec 223 is satisfied.

The proposed BR 821, as described above, not expected to materially increase the total cost of health care in the Commonwealth, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Health benefits for state employees and the KY Medicaid population were excluded from this analysis.

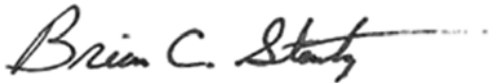
The proposed BR 821, as described above, is not expected to materially increase administrative expenses of insurers, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Health benefits for state employees and the KY Medicaid population were excluded from this analysis.

Our analysis included the use of data and statistics from a 2019 Annual Data Report provided by DOI, review of 45 CFR § 156.1250 and actuarial judgement.

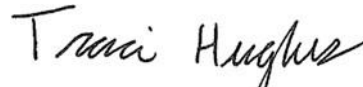
The proposed bill closely mirrors federal regulation 45 CFR § 156.1250 - Acceptance of certain third-party payments, except it also includes programs conducted by organizations that are exempt from taxation under 26 U.S.C. sec. 501(a) (e.g., charitable organizations). We are unaware of a large number of charitable organizations that would likely begin paying premiums and cost sharing on behalf of insureds, which are not currently accepted by Insurers. To the extent this assumption is incorrect, an increase in premiums could be expected due to anti-selection.

Disclosure: L&E made several assumptions in performing the analysis. Several of these assumptions are subject to material uncertainty and it is not unexpected that actual results could materially differ from these estimates if a more in-depth analysis were to be performed. Examples of uncertainty inherent in the assumptions include, but are not limited to, data limitations, the extent to which insurers are currently declining coverage and premium revenue due to premiums being paid by charitable foundations, and the extent to which insurer are currently counting charitable contributions towards and insured's cost-sharing requirement.

Disclosure: Due to the material disclosure requirements required therein, we must acknowledge that the content of this report may not comply with Actuarial Standard of Practice No. 41 Actuarial Communications.



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LEWIS & ELLIS, INC.
January 15, 2021



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January 15, 2021



1/15/2021

(Signature of Commissioner/Date)

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