

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 4389 STATE OF NEW JERSEY 219th LEGISLATURE

DATED: AUGUST 5, 2020

SUMMARY

Synopsis:	Requires certain entities authorized to issue health benefits plans to pay annual assessment.
Type of Impact:	Annual State revenue increase, fully offset by annual State expenditure increase.
Agencies Affected:	Department of Banking and Insurance.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Revenue Increase	Between \$370 and \$410 Million
State Expenditure Increase	Between \$370 and \$410 Million

- The Office of Legislative Services (OLS) estimates that, starting in calendar year 2021, this bill will result in a potential annual State revenue increase that may range between \$370 and \$410 million. The revenue increase will be tied to the requirement under the bill that certain entities authorized to issue health benefits plans pay a 2.5 percent annual assessment based on the entity's net written premiums.
- The OLS notes that any revenue increase will be fully offset by an equal increase in State expenditure for purposes of increasing affordability in the individual market and providing greater access to health insurance to the uninsured.

BILL DESCRIPTION

This bill requires certain entities to pay an annual assessment that is 2.5 percent of the entity's net written premiums as defined by the bill. Entities subject to the assessment include various organizations that are authorized to issue health and dental benefits plans in New Jersey.

The bill requires entities to annually file with the Commissioner of Banking and Insurance their net written premiums for the preceding year, no later than April 1 of each year.

The bill provides that if the commissioner determines that the amount of the assessment will reduce the State's total revenue, the commissioner may reduce the assessment.

The bill establishes in the Department of the Treasury a nonlapsing revolving fund to be known as the "Health Insurance Affordability Fund." This fund is to be the repository for all monies collected pursuant to the bill. As directed by the commissioner, in consultation with the Commissioners of the Department of Human Services and the Department of Health, the monies in the fund are to be used only for the purposes of increasing affordability in the individual market and providing greater access to health insurance to the uninsured, including minors, with a primary focus on households with an income below 400 percent of the federal poverty level, expanding eligibility, or modifying the definition of affordability in the individual market, through subsidies, reinsurance, tax policies, outreach and enrollment efforts, buy-in programs, such as the NJ FamilyCare Advantage Program, or any other efforts that can increase affordability for individual policyholders or that can reduce racial disparities in coverage for the uninsured.

The bill requires that the assessments collected pursuant to the bill be used only for the purposes contained in the bill, with certain provisions to ensure the assessments are used for those purposes in future fiscal years.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that, starting in calendar year 2021, this bill will result in annual State revenue and expenditure increases.

The revenue increase will be tied to the requirement under the bill that certain entities authorized to issue health benefits plans pay a 2.5 percent annual assessment based on the entity's net written premiums.

The OLS notes that any revenue increase will be fully offset by an equal increase in State expenditure for purposes of increasing affordability in the individual market and providing greater access to health insurance to the uninsured.

Given uncertainty caused by the coronavirus disease 2019 pandemic and that data to which the OLS has access dates to calendar year 2017, this estimate assumes a $\pm 5\%$ variation in the potential increase in the annual revenue. Accordingly, the OLS calculates, using data obtained through the OLS Discussion Point process concerning insurance entities' net written premiums, that the bill will result in annual revenue and expenditure increases that would range from \$370 to \$410 million.

Section: Commerce, Labor and Industry
Analyst: Juan C. Rodriguez
 Senior Fiscal Analyst
Approved: Frank W. Haines III
 Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).