



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Senator Chuck Chvala
Senate Majority Leader
Room 211 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882

Representative Scott Jensen
Speaker of the Assembly
Room 211 West, State Capitol
P.O. Box 8952
Madison, WI 53708

RE: Social and financial impact report - Senate Bill 115 and Assembly Bill 264

Dear Senator Chvala and Representative Jensen:

Senate Bill 115 and Assembly Bill 264 would add mandated coverage requirements for all health insurance plans in Wisconsin with the exception of limited service health organizations and health care plans that cover only specified diseases. This mandate would increase the level of coverage for smoking cessation treatments and medications. As outlined in, s. 601.423, Wis. Stats., I am submitting a social and financial report on the proposed health insurance mandate.

Proposed Coverage Changes

SB 115 and AB 264 propose the mandated health insurance coverage of the following treatments and/or medications used to stop smoking.

1. Nicotine gum
2. Nicotine patch
3. Nicotine nasal spray
4. Nicotine inhaler
5. Zyban or its generic equivalent

The coverage requirement applies to individual and group health insurance policies, and plans offered by HMO's, PPP's, and cooperative sickness care associations, as well as all self-insured health plans.

Impact of Mandates

Wisconsin has benefited from a healthy and competitive insurance market. The state currently has among the lowest health insurance premiums, and the lowest uninsured rate in the country, according to the U.S. Census Bureau. Increasing the number of mandated coverages will have an adverse effect on our current health insurance market. Traditionally, as the number of benefit mandates increase, the cost of coverage rises, and as costs rise, fewer and fewer individuals and businesses can afford to insure.

It is difficult to project the actual impact of any mandate because of the factors involved. The structure of a benefit will affect, either positively or negatively, the level of consumer demand or utilization of service. For example, a limited benefit may lead consumers to decide not to seek treatment that is not vitally necessary, on the other hand, an overly generous benefit could lead to overutilization for a specific treatment simply because payment

is available. Taking these two factors into account, OCI's survey and analysis projects the following impacts of this mandate.

- **The mandate will add approximately \$68 million per year to premium costs for health insurance consumers.**
- **The resulting increase in costs will make insurance unaffordable for some employers, potentially increasing the level of uninsured in Wisconsin.**
- **Individuals who remain covered under this health policy will have increased access to care for certain treatments specified.**

Social Impact Factors

According to the Wisconsin Family Health Survey (1998) conducted by the Division of Health Care Financing at DHFS, 94 percent of our state population has some form of health insurance

Financial Impact Factors

Actual experience on the cost and use of this type of benefit are not available, as this benefit is not typically provided by health plans. In estimating the costs of coverage proposed in SB 115 and AB 264, OCI surveyed health insurers' and used ETF data to estimate the coverage costs. Projections provided indicate approximately a:

- **\$68 million per year increase to premium costs for health insurance covering smoking cessation.**

According to actuarial studies conducted by the Bureau of Health Information at DHFS, 4.9 million of Wisconsin residents are insured, leaving approximately 283,000 residents uninsured. In addition, according to the Legislative Fiscal Bureau, approximately 23 percent of Wisconsin residents currently smoke cigarettes. If an estimated 5 percent of the 23 percent smoking population would take a smoking cessation program in a given year, at a cost of \$1,200 per person, the total cost per year would be \$68 million.

The Department of Employee Trust Funds prepared a fiscal estimate for the affect that this change would have on costs to state employee coverage as well. That estimate stated that for the 150,000 people covered by the state, the changes would result in an additional cost of \$1.8 million annually.

Impact on the Uninsured

While it would be difficult to predict the number of persons that would participate in a smoking cessation program, thus predicting the exact cost increase of insurance premiums, it is reasonable to assume this mandate would increase insurance premiums significantly. The resulting increases in cost would most definitely make insurance unaffordable for certain individuals and employers, having a negative impact on the number of people insured in Wisconsin.

Please contact Eileen Mallow at 266-7843 if you have any questions regarding this report.

Sincerely,

Connie O'Connell
Commissioner