



# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Governor

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Commissioner

April 7, 2000

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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 136

Dear Senator Chvala and Representative Jensen:

The introduction of Senate Bill 136 proposes legislation that would mandate coverage requirements for health insurance plans in Wisconsin to provide coverage of appropriate and necessary immunizations for children from birth to age two. As required in, s. 601.423, Wis. Stats., I am submitting a social and financial report on the proposed health insurance mandate.

## Proposed Coverage Changes

SB 136 requires health insurance policies sold in Wisconsin, including both managed care plans and indemnity plans to provide coverage of the following immunizations:

- a. Diphtheria
- b. Pertussis
- c. Tetanus
- d. Polio
- e. Measles
- f. Mumps
- g. Rubella
- h. Hemophilus influenza B
- i. Hepatitis B

Coverage of the above mentioned immunizations would be required for dependent children of the insured from birth to age two.

## 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. 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.

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. This is a burden shared by many small businesses in Wisconsin today.

It is extremely difficult to project the actual impact of this mandate because this service is already available. The benefit proposed in SB 136 is currently provided by Wisconsin health maintenance organizations and preferred provider plans. Also, state law currently requires all Wisconsin children to be vaccinated before attending school and all local public health departments provide vaccinations for the targeted age group.

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

- **This mandate could add a maximum of \$8-9 million per year to premium costs for Wisconsin health insurance consumers.**
- **Individuals who remain covered in effected health care policies will have an increased access to care for certain immunizations as specified**

#### **Social Impact Factors**

OCI does not have data to determine the exact numbers of policies that may be affected by this change. Generally, HMO and PPO policies already cover this benefit. This leaves indemnity policies most affected by this change.

According to the Wisconsin Division of Health, there are approximately 104,000 children within the targeted age group. According to the Center for Disease Control (CDC) 1998 data, 78% (81,000) of Wisconsin children from birth to age 2 receive the necessary immunizations. Of the 78% of Wisconsin children immunized, 65% were covered through private insurance or M.A. and 35% were provided immunizations through public health departments. Because state law requires child immunizations within this age group, the proposed legislation could cause a shift from immunization coverage by private insurers to public health departments due to an increase in policy coverage/cost. It could also cause a shift from public health department immunizations to immunization coverage by private insurers due to availability within ones policy.

#### **Financial Impact Factors**

SB 136 targets Wisconsin children from birth to 2 years old. In 1999 there were approximately 104,487 children within this age group (2% of the total population in Wisconsin). OCI estimates that half of the health insurance coverage in the state is provided through self-insured plans. Therefore, of the 104,487 children within this age group, 50% (52,000) would benefit from this mandate.

According to the CDC, the costs for proposed coverage of all immunizations identified in SB 136 over the two-year period would cost \$263 per child.

According to the 1998 Wisconsin Family Health Survey administered by the Department of Health and Family Services, 93% of children ages 0-17 receive some coverage of preventive care (this includes private insurance and medical assistance). Out of the 93% (48,500 of the 52,000) that receive some coverage, 32% are fully covered. Therefore, 68% (35,000) of the targeted age group receive some coverage of preventive care.

If all 35,000 children ages 0-2 belonged to indemnity programs that provided NO coverage and the total cost for all immunizations is \$263, then this would increase the cost of premiums for indemnity insureds approximately \$8-9 million.

While it was difficult to predict a precise number, the \$8-9 million represents the ceiling of potential costs. It is conceivable that of the 68% of the targeted age group, only a certain percentage is not provided any preventive care coverage. As well, it is almost impossible to quantify the preference for public health department provided immunizations.

Please contact Eileen Mallow at 266-7843 or George Klaetsch at 264-6239 if you have any questions regarding this report.

Sincerely,

Randy Blumer  
Deputy Commissioner