



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Jorge Gomez, Commissioner

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January 21, 2004

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

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

RE: Follow-up to Social and Financial Impact Report – Senate Bill 72

Dear Senator Panzer and Representative Gard:

I would like submit to you this follow up to OCI's social and financial impact statement for SB 72. As you are aware SB 72 would increase the minimum coverage amounts for inpatient, outpatient, and transitional treatment as well as the overall minimum coverage amount for a group health insurance policy. As is stated in the original Social and Financial Impact Statement, this does not represent fully parity in mental health benefits in commercial insurance policies, but rather reflects an increase of the original statutory minimum as a result of increases in the consumer price index for medical costs since the mandate was originally established in Wisconsin law

Financial Impact of SB 72

OCI's original social and financial impact statement contained cost estimates on the effect of SB 72 as expressed as a percentage increase in overall premiums and in an actual dollar amount about the increase in premiums. What was missing however, was an expression of an increase in the actual cost to the premium on an individual basis, or otherwise expressed the as per member/per month increase.

As a reminder, OCI previously indicated that the mandate will add approximately \$9.2 to \$30.8 million per year to premium costs for group health insurance consumers. Expressed as a per member/per month cost, this equates to an increase in premiums in a range from \$0.36 to \$1.24 on a monthly basis or \$4.32 to \$14.88 annually per enrollee, including dependents. I feel this expression will more clearly articulate the amount of increase so that your members and your constituents will be able to get an idea of how this bill would affect them directly.

Another financial impact factor that OCI was not able to quantify is the amount of productivity gains would be realized by the passage of this bill. It is known that once employees are able to get help for their mental health and/or substance abuse conditions, productivity will increase and related medical costs associated with untreated mental health and substance abuse that goes untreated will decrease. There are too many variables that are unknown for OCI to provide a credible estimate. Such variables would include the number of patients in group health insurance plans that are also being treated for mental health or substance abuse conditions; what the amount of lost productivity is caused by those patients; or what is the eventual medical

cost if these people went untreated. The nature of s. 601.423, Wis. Stats, however, does require that OCI make this estimate available if possible, and this was left out of the original estimate. I believe that a thorough actuarial study would be necessary to accomplish this estimate and OCI has no actuary on staff.

Annual Reporting by DHFS

OCI's original social and financial impact statement contains an error. As originally stated, OCI indicated that DHFS was required annually to adjust the minimum limits to increase with the change in the federal consumer price index for medical costs. Actually, SB 72 states that DHFS is to report annually to the legislature and the governor on revising the coverage limits based on the change in the consumer price index for medical costs. Actually changing the limits would require legislative action.

I appreciate the opportunity to clarify our statement and would welcome further discussion with you. If you would please share this information with your members I would be most appreciative.

Sincerely,

Jorge Gomez
Commissioner