

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/25/2012
POSITION: Oppose

BILL NUMBER: AB 1636
AUTHOR: Monning, William
RELATED BILLS: AB 1083 (Monning)

BILL SUMMARY: Health and wellness programs.

This bill would require the Department of Managed Health Care (DMHC), in collaboration with the California Department of Insurance (CDI), the California Health Benefits Exchange (Exchange), and the California Department of Public Health (CDPH) to convene a special committee to review and evaluate health and wellness incentive and rewards programs. The committee would be required to meet publicly and engage experts and stakeholders in its deliberations with the first meeting commencing March 30, 2013.

FISCAL SUMMARY

The Department of Managed Health Care will experience increased workload resulting from this bill. One-time costs are estimated to be at least \$99,000 in the first year (2012-13) that the committee is convened due to review of health plans' Evidence of Coverage exhibits and subscriber contracts by DMHC's Office of Health Plan Oversight to obtain historical and current data and information on health and wellness incentive and rewards programs. Costs would be incurred by an Assistant Chief Counsel, a Staff Counsel III (Specialist) and a Staff Counsel. Ongoing workload will result in annual costs of \$32,000 (approximately 0.25 Staff Counsel) for evaluation of the effectiveness of the programs, as specified by the bill. In addition, if the DMHC conducts routine surveys of health plans to evaluate performance related to wellness programs, the average cost per survey would be approximately \$75,000 to \$100,000. All costs would be factored into the annual assessment charged to health care service plans for deposit into DMHC's Managed Care Fund.

CDPH will also incur costs due to this bill. CDPH's costs would be \$124,000 General Fund to add a Health Program Specialist II to provide appropriate staff support and research services to the committee. Finance notes that this position would be subject to review and approval under the Budget Change Proposal process.

It is anticipated that CDI and the Exchange will also have costs associated with this bill. Due to the vagueness of the parameters under which the committee may operate, these costs are difficult to estimate; however we anticipate these costs to be lower than those of DMHC and CDPH. These costs would be paid from special funds that cover operating costs of CDI and the Exchange.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the original version are minor and do not alter our position.

COMMENTS

The Department of Finance is opposed to this bill for the following reasons:

- This bill is unnecessary because it is already in the best interest of health plans to design effective health and wellness incentive programs because they decrease health care costs.

Analyst/Principal (0562) A.Bazos	Date	Program Budget Manager Ken DaRosa	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

Monning, William

06/25/2012

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COMMENTS (continued)

- As it is currently drafted, this bill lacks definition and does not specify key components of the proposed special committee, including the number of members and details regarding appointments of members.

According to the author, this bill is necessary to advance a public policy conversation in California about the evidence basis for wellness incentive programs tied to health insurance and to determine if the wellness incentive provisions in federal health care reform should be implemented in California.

A related bill, AB 1083 (Monning), currently pending on the Senate Floor, establishes reforms in the small group health insurance market to implement the Affordable Care Act. This bill does not explicitly allow for the use of wellness incentives.

Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)						Fund Code
		PROP 98	FC	(Dollars in Thousands)				
				2011-2012 FC	2012-2013 FC	2013-2014		
0845/Insurance	SO	No		-----	See Fiscal Summary	-----	0217	
4150/MngedHltCare	SO	No	A	-- C	99 C		32 0933	
4265/PublicHealth	SO	No	A	-- C	124 C		124 0001	
4800/Exchange	SO	No		-----	See Fiscal Summary	-----	3175	
<u>Fund Code</u>	<u>Title</u>							
0001	General Fund							
0217	Insurance Fund							
0933	Managed Care Fund							
3175	Health Trust Fund, California							