

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 2

SHORT TITLE: Managed Competition Act

SPONSOR(S): Senators Daniel; Perdue and Tally

FISCAL IMPACT: Expenditures: Increase (x) Decrease ( )  
 Revenues: Increase ( ) Decrease ( )  
 No Impact ( )  
 No Estimate Available ( )

FUNDS AFFECTED: General Fund (x) Highway Fund ( ) Local Fund ( )  
 Other Fund ( )

**BILL SUMMARY** Creates a seven member North Carolina Health Plan Commission appointed by the Governor; empowers the Commission to design and administer universal health care coverage through regional health purchasing cooperatives; creates a Health Care Trust Fund; directs the Commission to report certain recommendations and findings to the 1994 Session, including analyses of costs and financing options, a benefits package, appropriate geographic regions, data collection needs, and overall economic impacts both with and without the proposed system of coverage; appropriates \$1.5 million during each year of the biennium to pay cost of Commission operation.

**EFFECTIVE DATE:** Requires appointments to the Health Care Plan Commission within sixty (60) days after ratification.

**PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:** Department of Insurance

FISCAL IMPACT

	<u>FY</u> 93-94	<u>FY</u> 94-95	<u>FY</u> 95-96	<u>FY</u> 96-97	<u>FY</u> 97-98
<b>EXPENDITURES</b>					
RECURRING	1,019,634	1,544,000	1,605,760	1,669,990	1,736,789
NON-RECURRING	550,000	36,000			
<b>TOTAL</b>	<u>\$1,569,634</u>	<u>\$1,580,000</u>	<u>\$1,605,760</u>		
<b>POSITIONS:</b>	8	14			

ASSUMPTIONS AND METHODOLOGY:

An estimated budget for the first two years of Health Care Plan Commission operations is set forth below, based upon ten full months of operation in FY 93-94 and twelve full months of operation in FY 94-95.

The salaries of Health Care Plan Commission are assumed to be comparable with those of Utilities Commission members.

This two-year period is assumed to constitute a developmental phase. Once system design has been completed and approved by the General Assembly the Commission would enter an administrative phase. Operations costs during the administrative phase cannot be estimated until system design has been completed. Hence the out-year impacts shown above only reflect the continued operation of the Health Care Plan Commission and do not include the costs of additional administrative infrastructure that may be required at the state or regional level to implement managed competition, nor do they include the direct costs of health care that may be provided under such a system.

Item:	FY 93-94	FY 94-95
Salaries/fringes (Commissioners)	\$525,000	\$630,000
Salaries/fringes (Staff)	405,000	804,000
Travel	20,000	30,000
Office Furniture and Equipment	18,000	12,000
Data Processing equipment	32,000	24,000
Office Supplies/Materials	5,000	7,000
Rental of Real Property	33,334	40,000
Contractual Services:		
Actuarial analysis	100,000	
Benefits package design	200,000	
Economic analysis	200,000	
Communications	8,300	10,000
Printing and Binding	3,000	3,000
Other Non-personnel Costs	20,000	20,000
	<u>1,569,634</u>	<u>1,580,000</u>

**SOURCES OF DATA:** State Property Office; informal discussions with KMPG Peat Marwick, Research Triangle Institute

**TECHNICAL CONSIDERATIONS:** Unusually forceful leadership may be needed to accomplish the goals set forth by the bill in time to report to the 1994 Session, since the schedule will be very difficult to meet. None of the three analyses cited in the detailed budget above can begin until the Commission is in place and a staff director, together with professional subordinates, has been hired. The economic study cannot be completed until the benefits package and financing options have been defined. Presumably, requests for proposals will be needed, and an adequate period must be provided for contractor selection.

**FISCAL RESEARCH DIVISION**

**733-4910**

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**APPROVED BY:** TomC

**DATE:** April 16, 1993

**[FRD#003]**

**Official**

**Fiscal Research Division  
Publication**



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