

**SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL**  
**LOCAL GOVERNMENT FISCAL NOTE, 2013 LEGISLATIVE SESSION**

**LOCAL GOVERNMENT FISCAL NOTE 2013-HB1142A**

HB 1142 is an Act to promote patient choice in selecting health care providers.

LRC was requested to prepare a local government fiscal note pursuant to Joint Rule 6C-6. A local government fiscal note is specific to the effect that a bill has on the revenues, expenditures, or fiscal liability of any political subdivision of the state.

**Background:**

We have reviewed the testimony and documents submitted in conjunction with the February 12, 2013, House Health and Human Services Committee hearing on HB1142. Proponents argue that the bill is about choice, quality, and price and assert that this bill is not a cost driver and may even reduce costs in some instances. Opponents argue that the bill limits choice, has potential liability to the state due to the Affordable Care Act and that the bill is a cost driver that could increase health care costs to consumers.

1. We requested from the South Dakota Department of Labor their estimate of the cost impacts of HB1142 upon each of the local political subdivisions of the state.
2. We contacted the associations representing each of the following political subdivisions requesting their assessment of the fiscal impacts of HB1142.
  - a. Counties
  - b. Cities
  - c. School districts
  - d. Towns and Townships
3. Due to impending deadlines per Chapter 17 of the Joint Rules it was necessary to ask for an expedient response. Very few responses were received by the deadline given.

**Conclusion:**

Based on the foregoing, we have reached the following conclusions:

1. The available lead-time before crossover severely limits the ability of the LRC staff to develop information related to the fiscal impacts of this measure on local governments, given that further consultation with BFM was required by the Joint Rules of Chapter 6C
2. The empirical information offered in committee and available on the internet is predominantly related to experience in the other states. In this regard:

- i. Data sets driving these studies are dated, by more than 10 years in most instances; reported efforts to update via telephone poll are incomplete and undocumented. And, no study was available that was specific to the effects of this proposed legislation on political subdivisions of the state.
- ii. We have no way of verifying or evaluating the data and findings of any study offered by either the proponents or opponents which range in results from cost savings to increased expense.
- iii. Given the rate of change in the medical cost environment, this is a significant impediment.
- iv. All of these data may be impacted in different ways in different states by the ongoing implementation of the new federal Patient Protection and Affordable Care Act.
- v. Experience in other states may or may not be relevant to South Dakota. This is an extremely complex area and differences between plan provisions from one state to another may have a substantial bearing on the relevancy of that experience to South Dakota.
- vi. The methodology of some of these studies is complex and we are unable to evaluate or verify it.

3. Responses to the survey request of LRC were not adequate to reach a significant, measurable conclusion.

Due to the complex nature of insurance regulations, the health care industry, network agreements, fixed-effects regression, the Affordable Care Act, as well as employer-employee relations, it is not possible within the available time constraints to adequately assess the potential impact of HB1142 on political subdivisions of South Dakota.

For these reasons, the LRC cannot provide an estimate of the fiscal impacts of HB1142 on local political subdivisions which meets our standards for accuracy and dependability. Further, within the constraints of time and empirical data, we are not confident in offering a defensible opinion as to whether the preponderance of available information supports the positions of either the proponents or the opponents.

This Note was submitted for consultation with the Bureau of Finance and Management pursuant to Joint Rules Chapter 6C. BFM does not concur with this Fiscal Note due to their analysis of the impact.

APPROVED BY: /S/ James Fry DATE: 02/20/2013