## INSURANCE/HEALTH

**Proposed law** defines "Psychiatric Collaborative Care Model" following 81 Federal Register 80230 as well as "health coverage plans" and "mental health or substance abuse benefits." Proposed law requires a health coverage plan to cover services delivered through the Psychiatric Collaborative Care Model (PCCM), including the Medicaid state plan. Proposed law provides that any medical necessity determined shall be in compliance with the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) and following state law - Internal Claims and Appeals Process and External Review Act as well as determinations made in accordance with the Internal Claims and Appeals Process and External Review Act. Proposed law effective January 1, 2023 (new health coverage plans) and January 1, 2024 (existing health coverage plans).

### EXPENDITURE EXPLANATION

**Proposed law** will increase expenditures within the LA Department of Health (LDH), Medicaid Program and Self-Generated Revenue expenditures within the Office of Group Benefits (OGB) as well as may increase State General Fund expenditures associated with a mandated to health insurance policies issued under the insurance exchanges beginning in FY 23 and subsequent fiscal years. Furthermore, proposed law will increase claims expenditures for the health insurance industry by an estimated $156,000 and premiums by an estimated $182,000 in FY 23 (see Expenditure Explanation on Page 2).


The LA Department of Health (LDH), Medicaid Program reports the proposed law will result in an increase in expenditures of $,953,790 ($SGF, Stat Ded, and Federal Fund - MATF, and $1,515,305 Federal) for an estimated 5,063 recipients in FY 23. LDH estimates rates of $462.77 for patients under the age of 16, $377.88 for non-expansion patients over the age of 16, and $139.17 for expansion patients over the age of 16. In the subsequent fiscal years, LDH indicates a 15% increase.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>State Gen. Fd.</th>
<th>Agy. Self-Gen.</th>
<th>Ded./Other</th>
<th>Federal Funds</th>
<th>Local Funds</th>
<th>Annual Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 22-23</td>
<td>$1,953,790</td>
<td>$2,248,963</td>
<td>$2,588,077</td>
<td>$2,977,801</td>
<td>$3,426,230</td>
<td>$13,194,861</td>
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</tbody>
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Note: The Legislative Fiscal Office (LFO) cannot corroborate the net impact provided by the department, especially within the limited timeframe. However, the LFO acknowledges that the requirements of the proposed law will result in increased expenditures within LDH from covering services delivered through the Psychiatric Collaborative Care Model (PCCM). The LFO is in ongoing conversations with the department regarding any anticipated cost offsets. To the extent that the PCCM results in cost savings as indicated by several actuarial studies, the costs provided by LDH may be mitigated by an unknown amount.

**Office of Group Benefits Impact - $47,724 (Self-Generated Revenue Impact)**

Proposed law is anticipated to increase SGR expenditures for claims by $47,724 within the Office of Group Benefits (OGB) in FY 23 and subsequent fiscal years, adjusted for medical inflation. Presently, OGB does not reimburse claims delivered through the psychiatric collaborative care model. To determine the impact of proposed law, OGB utilized data from their medical third party administrator Blue Cross and Blue Shield of LA (BCBSLA). BCBSLA reported only 15 OGB plan members utilized billing codes associated with psychiatric collaborative care model, resulting in an estimated $0.02 per member per month (pmpm) cost.

**REVENUE EXPLANATION**

Proposed law will result in an increase in Statutory Dedication revenues within the LA Department of Health, Medicaid program as a result of a premium tax. There is 5.5% premium tax on premiums paid to the Healthy Louisiana managed care organizations. The Office of Group Benefits (OGB) does not anticipate the proposed law to require premium increases, therefore there is no impact self-generated revenues collected from premiums. OGB has indicated the estimated costs associated with services delivered through the Psychiatric Collaborative Care Model (PCCM) may be absorbed by the existing fund balance reserve.
CONTINUOUS EXPLANATION from page one:

EXPENDITURE EXPLANATION Continued from Page 1

Unless OGB Fund Balance is utilized, an SGF appropriation may be required to cover the state portion of the increase in premium costs, which is approximately 39%. As of February 2022, the OGB Fund Balance was $385 M. The expenditure estimate is based upon requirements of the proposed law as well as the following assumptions: (1) As of 3/01/2022, the current OGB member population in the five self-funded health plans is 212,884. Membership will remain constant. (2) The coverage will become effective on 8/02/2023. (3) No change in OGB self-funded health plan membership in future fiscal years from current levels. (4) PMPM cost estimate provided by BCBSLA. Calculations with increased submission of claims utilizing PCCM CPT billing codes is not included. (5) In future fiscal years, a medical inflation factor of 1.9%.

Based on the aforementioned methodology, the assumption that coverage will only be in place for 11 months in FY 23 due to the August 1st effective date, and a medical inflation (MI) factor of 1.9% compounding annually, OGB's cost estimates are as follows:

FY 23 - $47,724 (212,884 members x $0.02 PMPM x 12 months x 1.9% MI = $52,063 and $47,724 for 11 months)
FY 24 - $53,052 ($52,063 x 1.9% MI)
FY 25 - $54,060 ($53,052 x 1.9% MI)
FY 26 - $55,087 ($54,060 x 1.9% MI)
FY 27 - $56,134 ($55,087 x 1.9% MI)

Furthermore, OGB does not anticipate expenditures associated with proposed law to necessitate premium increases for members, and any additional expenditures will be funded by its fund balance (see Revenue Explanation). However, the cost increase for OGB is ultimately indeterminable and dependent upon the submission of claims utilizing PCCM. Furthermore, a determination of medical necessity being required for claims reimbursement may further serve to mitigate OGB's potential cost exposure. Because of the aforementioned factors are unknown, the extent of the cost increase is indeterminable.

Insurance Exchanges Impact - $24,000 (State General Fund Impact)

Proposed law may increase SGF expenditures beginning in FY 23 and in subsequent fiscal years according to an analysis provided by the health actuary at LDI. The state would be required to fund health claims expenditures associated with breast reduction coverage in proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 23 with estimated costs totaling $24,000 SGF. Claims expenses associated with proposed law would be paid out by the State Treasury Department. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 100,000 and the insured population is assumed to be stationary; fixed start up costs that are not subject to inflation; the premium loss ratio is 85%; and the estimated cost of $0.02 PMPM over the entire insured population. Based upon the aforementioned assumptions, the estimated annual increase costs for insurance providers associated with claims are as follows:

Agg Cost Determination (exchange population x PMPM cost x 12 months)
FY 23 thru FY 27 - 100,000 x $0.02 PMPM x 12 months = $24,000

PRIVATE INSURANCE IMPACT

Pursuant to R.S. 24:603.1, the information below is the projected private insurance impact of proposed law. Based upon an actuarial analysis prepared by LDI, the proposed law is anticipated to increase expenditures associated with claims by $156,000 and premium increases by $182,000 for private insurers and the insured. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 650,000 and the insured population is assumed to be stationary; fixed costs that are not subject to inflation; the premium loss ratio is 85%; and the estimated cost is $0.02 PMPM over the entire insured population. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

Agg Cost Determination (exchange population x PMPM cost x 12 months)
FY 23 thru FY 27 - 650,000 x $0.02 PMPM x 12 months = $156,000

Agg Extra Premium Determination (PMPM cost x 12 months)/medical loss ratio
FY 23 thru FY 27 - ($0.02 PMPM x 12 months)/85%) = $0.28