

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 476** SLS 16RS 2517
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: SB 132 **REVISED**

Date: May 24, 2016 1:06 PM	Author: MARTINY
Dept./Agy.: OGB/Insurance	Analyst: Willis Brewer
Subject: Health insurance coverage for temporal mandibular joint	

HEALTH/ACC INSURANCE EG NO IMPACT See Note Page 1 of 2
 Requires health insurance coverage for temporal mandibular joint disorders. (gov sig)

Proposed law requires every hospital, health, or medical expense insurance policy in the large group market as defined in present law to include coverage of diagnosis and treatment for temporal mandibular joint (TMJ) and associated musculature and neurological conditions. Proposed law exempts the Office of Group Benefits (OGB) from these requirements.

Proposed law requires the TMJ insurance coverage to be subject to the same conditions, limitations, precertification, prior authorization, referral procedures, copayment, and coinsurance provisions that apply coverage for diagnosis and treatment involving other bones or joints of the human skeleton.

Proposed law applies to all new policies, plans, certificates, and contracts issued on or after January 1, 2018. Further requires existing policies, plans, certificates, and contracts to include coverage for TMJ by January 1, 2019.

EXPENDITURES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

This measure requires an increase in benefits provided by large group market health insurance providers in Louisiana. These providers will be required to offer health insurance coverage for temporal mandibular joint and associated musculature and neurological disorders.

A large group market is a health insurance market under which individuals obtain health insurance coverage directly or through any arrangement on behalf of themselves and their dependents through a group health plan maintained by a large employer (employing more than 101 employees). Since the Office of Group Benefits (OGB) is excluded from this measure and there are no Qualified Health Plans in the large group market, there is no anticipated increase in state expenditures as a result of this measure.

PRIVATE HEALTH INSURANCE IMPACT

Pursuant to R.S. 24:603.1, the information below reflects the projected private insurance impact of the proposed legislation. The health actuary for the Louisiana Department of Insurance (LDI) estimates the cost incurred by large group health insurance providers will range from \$1 to \$6 million in FY 18 and \$14 to \$58 million in the subsequent years. The health actuary estimates the aggregate premium increase will range from \$2 to \$7 million in FY 18 and \$17 to \$68 million in the subsequent years. The health actuary estimates the annual policy premium increase will range from \$10 to \$36 per policy in FY 18 and \$88 to \$353 per policy in the subsequent years.

See page 2 for further details.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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|---|--|--------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

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Staff Director

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CONTINUED EXPLANATION from page one:

Private Health Insurance Impact continued

Insurance Industry Expenditure Increases

	FY 17	FY 18	FY 19	FY 20	FY 21
Aggregate Claim Cost Increase	\$0	\$1 to \$6 million	\$14 - \$58 million	\$14 - \$58 million	\$14 - \$58 million
Aggregate Premium Increase	\$0	\$2 to \$7 million	\$17 - \$68 million	\$17 - \$68 million	\$17 - \$68 million

Per Policy Increases

Annual Estimated Policy Increase	\$0	\$10 - \$36	\$88 - \$353	\$88 - \$353	\$88 - \$353
Percentage premium increase	N/A	0.1% - 0.3%	0.6% - 2.4%	0.6% - 2.4%	0.6% - 2.4%

Assumptions

- The calculations are assumed to apply on a calendar year basis.
- Louisiana's large group population is 385,000 lives.
- The costs and premium increase will decrease when we adopt the 101 life per group definition.
- Assumed two lives per large group policy yields 192,500 large groups
- The new group lives established in 2018 are assumed to be equal to 10% of the existing group lives.
- In 2019 and after, the large group population is assumed to be stationary (entries equal exits).
- Annually 5% to 10% of the population is experiencing TMJ related problems.
- Annually 5% to 6% of those with TMJ problems receive surgery.
- The cost of TMJ surgery is assumed to be between \$15,000 and \$25,000.
- It is assumed that the cost of alternative treatment to TMJ surgery is absorbed by the health plans.
- Medical cost inflation is assumed to be integrated into the aggregate cost development.
- The existing annual insurance premium cost is assumed to be \$15,000 (using OGB as a proxy).
- The assumed premium loss ratio is 85%.

Annual Claim Cost Determination

Aggregate cost of TMJ surgery in calendar year 2018.

= (insured population) X (new group incidence) X (TMJ incidence) X (TMJ surgery election pct.) X (cost of treatment)

Low = (385,000) X (.1) X (.05) X (.05) X (\$15,000) = \$1 million

High = (385,000) X (.1) X (.1) X (.06) X (\$25,000) = \$6 million

Aggregate cost of TMJ surgery in calendar year 2019 and subsequent years.

= (insured population) X (TMJ incidence) X (TMJ surgery election pct.) X (cost of treatment)

Low = (385,000) X (.05) X (.05) X (\$15,000) = \$14 million

High = (385,000) X (.1) X (.06) X (\$25,000) = \$58 million

Health Insurance Premium Increase Determination

Aggregate cost of TMJ surgery in calendar year 2018 divided by 85%.

=[(insured population) X (new group incidence) X (TMJ incidence) X (TMJ surgery election pct.) X (cost of treatment)] / 0.85

Low = [(385,000) X (.1) X (.05) X (.05) X (\$15,000)] / 0.85 = \$2 million

High = [(385,000) X (.1) X (.1) X (.06) X (\$25,000)] / 0.85 = \$7 million

Aggregate cost of TMJ surgery in calendar year 2019 and subsequent years divided by 85%.

= (insured population) X (TMJ incidence) X (TMJ surgery election pct.) X (cost of treatment)

Low = [(385,000) X (.05) X (.05) X (\$15,000)] / 0.85 = \$17 million

High = [(385,000) X (.1) X (.06) X (\$25,000)] / 0.85 = \$68 million

Health Insurance Premium Annual Dollar Increase per Policy Determination

Annual premium increase per policy for TMJ treatment in calendar year 2018.

= (aggregate premium increase) / (no. of policies)

Low = (\$2,000,000) / (192,500) = \$10

High = (\$7,000,000) / (192,500) = \$36

Annual premium increase per policy for TMJ treatment in calendar year 2019 and subsequent years.

= (aggregate premium increase) / (no. of policies)

Low = (\$17,000,000) / (192,500) = \$88

High = (\$68,000,000) / (192,500) = \$353

Health Insurance Premium Annual Percentage Increase per Policy Determination

Percentage annual premium increase per policy for TMJ treatment in calendar year 2018.

= 100% X (aggregate premium increase) / [(no. of policies) X (annual premium)]

Low = 100% X (\$2,000,000) / [(192,500) X (\$15,000)] = 0.1%

High = 100% X (\$7,000,000) / [(192,500) X (\$15,000)] = 0.3%

Percentage annual premium increase per policy for TMJ treatment in calendar year 2019 and subsequent years.

= 100% X (aggregate premium increase) / [(no. of policies) X (annual premium)]

Low = 100% X (\$17,000,000) / [(192,500) X (\$15,000)] = 0.6%

High = 100% X (\$68,000,000) / [(192,500) X (\$15,000)] = 2.4%

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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