

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 347** HLS 19RS 427
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 23, 2019 1:16 PM	Author: STOKES
Dept./Agy.: LA Dept. of Insurance/Office of Group Benefits	Analyst: Zachary Rau
Subject: Diagnostic Imaging Coverage Requirements	

INSURANCE/HEALTH OR INCREASE GF EX See Note Page 1 of 2
 Provides for the coverage of diagnostic imaging at the same level of coverage as screening mammograms

Present law requires health coverage plans delivered in LA to include benefits payable for a minimum mammography examination. Proposed law retains present law and requires that health coverage plans delivered in LA to include coverage for diagnostic including but not limited to diagnostic mammograms, ultrasounds, and breast magnetic resonance imaging at the same level of coverage provided for the minimum mammography examination pursuant to present law. Proposed law authorizes health coverage plans to require referral by a treating physician based on medical necessity for diagnostic image to be eligible for required coverage but prohibits the coverage from being subject to any policy or health coverage plan deductible amount. Proposed law states the policies issued in LA not included coverage outlined in proposed law shall be null and void. Proposed law applies to all policies renewed or issued in LA after January 1, 2020.

Effective January 1, 2020.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

Proposed law will increase State General Fund expenditures associated with a mandate to health insurance policies issued under the insurance exchanges and Self-Generated Revenue expenditures for the Office of Group Benefits (OGB) by an indeterminable amount beginning in FY 20 and in subsequent fiscal years (see narratives below). Furthermore, proposed law will increase claims expenditures for the health insurance industry by an estimated \$132,000 - \$198,000 and premiums by an estimated \$184,000 - \$226,000 in FY 20 (see narrative on Page 2).

Insurance Exchanges Impact (State General Fund Impact)

Proposed law will increase SGF expenditures for the state beginning in FY 20 and in subsequent fiscal years according to an analysis provided by the LA Dept. of Insurance. The state would be required to fund health claims expenditures associated with proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 20 with estimated costs totaling \$24,000 to \$36,000 SGF and a phase-up of costs to approximately \$58,000-\$88,000 SGF by FY 24. Claims expenses associated with proposed law would be paid out by the LA Dept. of Treasury. LDI bases this analysis on the following assumptions: the calculations apply on a fiscal year basis; an exchange population of 100,000; a stationary insured population; a PMPM totaling \$0.04-\$0.06; coverage being in effect for only half of FY 20; and medical cost inflation of 5% annually. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

- FY 20 - \$24,000 (100K members * \$0.04 PMPM * 6 months) - \$36,000 (100K members * \$0.06 PMPM * 6 months)
- FY 21 - \$50,000 (100K members * \$0.04 PMPM * 12 * 1.05 inflation) - \$76,000 (100K members * \$0.06 PMPM * 12 * 1.05 inflation)
- FY 22 - \$53,000 - \$79,000
- FY 23 - \$56,000 - \$83,000
- FY 24 - \$58,000 - \$88,000

Office of Group Benefits Impact (Self-Generated Revenue Impact)

Proposed law will increase SGR expenditures for claims by an indeterminable amount for the Office of Group Benefits (OGB) in FY 20 and in subsequent fiscal years. OGB has requested information regarding proposed law from their vendor to make an assessment of potential expenditure increases associated with proposed law but has been unable to obtain it. However, the LA Dept. of Insurance performed an analysis regarding OGB's potential expenditure increase associated with proposed law, and estimates FY 20 SGR expenditures of \$156,000 - \$192,000 with a phase up of expenditures to \$379,000 - \$467,000 by FY 24. **(Expenditure Explanation cont. on Pg. 2)**

REVENUE EXPLANATION

The Office of Group Benefits does not anticipate that additional costs associated with proposed law will require premium increases, and therefore will not affect SGR premium collections. Furthermore, the OGB reports that projected costs for the proposed legislation would be covered by its fund balance of approximately \$273.17 M. However, while proposed law may not necessitate premium increases for the Office of Group Benefits, to the extent numerous pieces of legislation are enacted that increase the overall costs of the OGB program, the OGB may be required to increase premiums to fund ongoing program costs and maintain an actuarially sound fund balance of \$200 M.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" 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}

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

(Expenditure Explanation cont. from Pg. 1)

LDI's assumptions for OGB's expenditure increases are as follows: the calculations apply on a fiscal year basis; an OGB population of 200,000; a stationary insured population; a PMPM totaling \$0.13-\$0.16; coverage being in effect for only half of FY 20; medical cost inflation of 5% annually; Based upon the aforementioned assumptions, the estimated annual expenditure increases for OGB associated with claims are as follows:

- FY 20 - \$156,000 (200K members * \$0.13 PMPM * 6 months) - \$192,000 (200K members * \$0.16 PMPM * 6 months)
- FY 21 - \$328,000 (200K members * \$0.13 PMPM * 12 * 1.05 inflation) - \$403,000 (200K members * \$0.16 PMPM * 12 * 1.05 inflation)
- FY 22 - \$344,000 - \$423,000
- FY 23 - \$361,000 - \$445,000
- FY 24 - \$379,000 - \$467,000

While OGB was unable to report an exact expenditure increase associated with the proposed legislation, it does not anticipate expenditures associated with proposed law to necessitate premium increases for members, and any expenditures will be funded by its fund balance (see Revenue Explanation). Furthermore, estimates must be taken with caution, as they are from an LDI analysis of proposed law. When OGB is able to obtain figures regarding the impact of proposed law from its vendor, the Legislative Fiscal Office will include them in a future analysis of proposed law.

Private Insurance Impact

Pursuant to LA R.S. 24:603.1, the following is the projected private insurance impact of the proposed legislation. Based upon an actuarial analysis prepared by LDI, proposed law is anticipated to increase expenditures associated with claims (\$132,000 - \$198,000) and premium increases (\$184,000 - \$275,000) for the private insurers and the insured in FY 20 with a phase-up to an estimated \$321,000 - \$481,000 for claims and an estimated \$446,000 - \$669,000 for premiums by FY 24. LDI bases this analysis on the following assumptions: the calculations apply on a fiscal year basis; a private insured population of 550,000 for claims and a total insured population of 650,000 for premiums (inclusive of the Insurance Exchange population); a stationary insured population; a PMPM totaling \$0.04-\$0.06; coverage being in effect for only half of FY 20; medical cost inflation of 5% annually; an 85% loss ratio (LR); Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

- FY 20 - \$132,000 (550K members * \$0.04 PMPM * 6 months) - \$198,000 (550K members * \$0.06 PMPM * 6 months)
- FY 21 - \$278,000 (550K members * \$0.04 PMPM * 12 * 1.05 inflation) - \$415,000 (550K members * \$0.06 PMPM * 12 * 1.05 inflation)
- FY 22 - \$291,000 - \$437,000
- FY 23 - \$305,000 - \$459,000
- FY 24 - \$321,000 - \$481,000

Based upon the aforementioned assumptions, the estimated annual cost increases for the insured associated with premiums are as follows (Note: premium increases include persons receiving policies through the Insurance Exchange):

- FY 20 - \$184,000 (650K members * \$0.04 PMPM * 6 months / .85 LR) - \$275,000 (650K members * \$0.06 PMPM * 6 months / .85 LR)
- FY 21 - \$385,000 (650K members * \$0.04 PMPM * 12 / .85 LR) - \$578,000 (650K members * \$0.06 PMPM * 12 / .85 LR)
- FY 22 - \$405,000 - \$607,000
- FY 23 - \$425,000 - \$637,000
- FY 24 - \$446,000 - \$669,000

Senate
Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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