



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 651** HLS 22RS 932
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|--|--------------------------------|
| Date: June 7, 2022 8:46 AM | Author: HILFERTY |
| Dept./Agy.: Insurance, Office of Group Benefits, Medicaid | Analyst: Patrice Thomas |
| Subject: Mandates Prescribed Human Milk | |

INSURANCE/HEALTH EN INCREASE SG EX See Note Page 1 of 2
 Provides relative to insurance coverage for prescription breast milk

Proposed law requires health plans to provide inpatient and outpatient coverage for medically necessary pasteurized donor human milk when prescribed by a pediatrician. Proposed law limits coverage to 2 months. Proposed law provides the prescription from the pediatrician state the infant is medically or physically unable to receive maternal human milk or participate in breastfeeding, or the mother is medically or physically unable to produce maternal human milk in sufficient quantities. Proposed law allows the health plan to limit coverage to human milk obtained from a member bank of the Human Milk Banking Association of North America. Proposed law effective January 1, 2023 (new health coverage plans) and January 1, 2024 (existing health coverage plans).

| EXPENDITURES | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | | | | | | |

| REVENUES | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 5 -YEAR TOTAL |
|---------------------|---------|---------|---------|---------|---------|---------------|
| 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

Proposed law will significantly increase Self-Generated Revenue expenditures within the Office of Group Benefits (OGB) in FY 24 and may increase State General Fund expenditures associated with a mandate to health insurance policies issued under the insurance exchanges beginning in FY 23 and subsequent fiscal years (see narrative below). Furthermore, proposed law will increase claims expenditures for the health insurance industry by an estimated \$468,000 - \$858,000 and premium increases by \$551,000 - \$1 M in FY 23 (see Expenditure Explanation on Page 2). The fiscal note assumes an unlimited supply of human donor milk. To the extent that human donor milk would not be available to meet the demand at any point in time, the expenditures reflected in this fiscal note may be reduced proportionally.

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

Proposed law significantly increases expenditures within the Office of Group Benefits (OGB). Proposed law requires OGB to cover pasteurized donor breast milk when determined to be medically necessary and prescribed by an infant's pediatrician. The prescription must state that the infant is medically or physically unable to receive their mother's breast milk or participate in breastfeeding. Also, the prescription can state the infant's mother is medically or physically unable to produce breast milk in sufficient quantities. Currently, there are no health plans that cover pasteurized donor breast milk. Based upon the assumptions listed below, the expenditures to cover this benefit range are as follows:

| | FY 22-23 | FY 23-24* | FY 24-25 | FY 25-26 | FY 26-27 | Total |
|------|----------|-----------|-----------|-----------|-----------|-----------|
| Low | \$0 | \$ 62,871 | \$128,131 | \$130,565 | \$133,046 | \$454,613 |
| High | \$0 | \$104,785 | \$213,552 | \$217,609 | \$221,744 | \$757,690 |

*FY 23-24 represent 6 months of estimated claims expenditures

Unless OGB Fund Balance is utilized, SGF appropriation will be required to cover the state portion of the increase in premium costs, which is approximately 40%. As of April 2022, the OGB Fund Balance was \$424 M.

The expenditure estimate is based upon the following assumptions: (1) As of 5/01/2022, the current OGB member population in the five self-funded health plans is 168,189 excluding Medicare primary plan members. No change in OGB self-funded health plan membership in future fiscal years from current levels. (2) The coverage will become effective on 1/01/2024. (3) the per member per month (PMPM) cost estimate provided by BCBSLA ranges from low of \$0.06 PMPM to high of \$0.10 PMPM. (4) In future fiscal years, a medical inflation factor of 1.9%. (5) Utilization estimated to be between 1.25% to 1.75% of births and estimated cost between \$6,667 - \$8,333 per eligible infant for two months.

EXPENDITURE EXPLANATION Continues on Page 2

REVENUE EXPLANATION

The Office of Group Benefits (OGB) does not anticipate the proposed law to require premium increases, therefore there is no impact on self-generated revenues collected from premiums. OGB has indicated the estimated costs associated with coverage of prescription donor human milk may be absorbed by the existing fund balance reserve. However, to the extent other legislative instruments that are enacted expand covered medical and pharmacy benefits, the cumulative impact may be significantly material and require OGB to increase premiums in order to maintain an actuarially sound fund balance of \$250 M.

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}

Evan Brasseaux

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 Interim Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION Continued from Page 1

Based on the aforementioned methodology, the assumption that coverage will only be in place for 6 months in FY 24 due to the January 1, 2024 effective date, and a medical inflation (MI) factor of 1.9% compounding annually, below are expenditure calculations utilized to project the cost within OGB as a result of the proposed law utilizing the assumptions listed on page one.

Expenditure Calculations

Base Cost (Low) = \$123,397 = 168,189 members x \$0.06 PMPM x 12 months x 1.9% MI (\$49,359 SGF)
Base Cost (High) = \$205,662 = 168,189 members x \$0.10 PMPM x 12 months x 1.9% MI (\$82,265 SGF)

FY 24 (Low) = \$125,742 = \$123,397 x 1.9% MI (\$50,297 SGF)
FY 24 (High) = \$209,570 = \$205,662 x 1.9% MI (\$83,828 SGF)

FY 25 (Low) = \$128,131 = \$125,742 x 1.9% MI (\$51,252 SGF)
FY 25 (High) = \$213,552 = \$209,570 x 1.9% MI (\$85,421 SGF)

FY 26 (Low) = \$130,565 = \$128,131 x 1.9% MI (\$52,226 SGF)
FY 26 (High) = \$217,609 = \$213,552 x 1.9% MI (\$87,044 SGF)

FY 27 (Low) = \$133,046 = \$130,565 x 1.9% MI (\$53,218 SGF)
FY 27 (High) = \$221,744 = \$217,609 x 1.9% MI (\$88,698 SGF)

Total (Low) = \$517,484 (\$206,994 SGF)
Total (High) = \$862,475 (\$344,990 SGF)

Insurance Exchanges Impact (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 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 \$72,000 to \$132,000 SGF and a potential phase-up to over \$87,500 to \$160,500 SGF by FY 27. 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; medical cost inflation is 5%; the premium loss ratio is 85%; and the estimated cost is between \$0.06 PMPM and \$0.11 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:

Aggregate Cost Determination

Aggregate cost of breast reduction = exchange population x PMPM cost x 12 months

FY 23 (Low) - 100,000 x \$0.06 PMPM x 12 months = \$ 72,000
FY 23 (High) - 100,000 x \$0.11 PMPM x 12 months = \$132,000

FY 24 (Low) - \$ 72,000 x 5% MI = \$ 75,600
FY 24 (High) - \$132,000 x 5% MI = \$138,600

FY 25 (Low) - \$ 75,600 x 5% MI = \$ 79,380
FY 25 (High) - \$138,600 x 5% MI = \$145,530

FY 26 (Low) - \$ 79,380 x 5% MI = \$ 83,349
FY 26 (High) - \$145,530 x 5% MI = \$152,807

FY 27 (Low) - \$ 83,349 x 5% MI = \$ 87,516
FY 27 (High) - \$152,807 x 5% MI = \$160,447

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 \$468,000 - \$858,000 and premium increases by \$551,000 - \$1 M for private insurers and the insured in FY 23 with phase-up costs of an estimated \$542,000 - \$995,000 claims and \$670,000 - \$1.2 M premiums by FY 27. 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; medical cost inflation is 5%; the premium loss ratio is 85%; and the estimated cost is between \$0.10 PMPM and \$0.20 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:

Aggregate Cost Determination

(exchange population x PMPM cost x 12 months)
FY 23 (Low) - 650,000 x \$0.06 PMPM x 12 months = \$468,000
FY 23 (High) - 650,000 x \$0.11 PMPM x 12 months = \$858,000

FY 24 (Low) - \$468,000 x 5% MI = \$491,400
FY 24 (High) - \$858,000 x 5% MI = \$900,900

FY 25 (Low) - \$491,400 x 5% MI = \$515,970
FY 25 (High) - \$900,900 x 5% MI = \$945,945

FY 26 (Low) - \$515,970 x 5% MI = \$541,769
FY 26 (High) - \$945,945 x 5% MI = \$993,242

FY 27 (Low) - \$541,769 x 5% MI = \$568,857
FY 27 (High) - \$993,242 x 5% MI = \$1,042,904

Aggregate Extra Premium Determination

(PMPM cost x 12 months)/medical loss ratio
FY 23 (Low) - (\$0.06 PMPM x 12 months)/85% = \$0.85
FY 23 (High) - (\$0.11 PMPM x 12 months)/85% = \$1.55

FY 24 (Low) - \$0.85 x 5% MI = \$0.89
FY 24 (High) - \$1.55 x 5% MI = \$1.63

FY 25 (Low) - \$0.89 x 5% MI = \$0.93
FY 25 (High) - \$1.63 x 5% MI = \$1.71

FY 26 (Low) - \$0.93 x 5% MI = \$0.98
FY 26 (High) - \$1.71 x 5% MI = \$1.80

FY 27 (Low) - \$0.98 x 5% MI = \$1.03
FY 27 (High) - \$1.80 x 5% MI = \$1.89

Senate

Dual Referral Rules

House

- [X] 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
[] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

- [X] 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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