



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 164** SLS 23RS 378
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 16, 2023	5:00 PM	Author: CLOUD
Dept./Agy.: Office of Group Benefits		Analyst: Patrice Thomas
Subject: Public Notice of Prior Authorization		

GROUP BENEFITS PROGRAM OR INCREASE SG EX See Note Page 1 of 1
 Provides relative to prior authorization for services, procedures, and pharmaceuticals. (gov sig)

Under present law, the Office of Group Benefits (OGB) shall require its health plans to furnish in writing or provide electronically, within one business day of a written or oral request by a healthcare provider, the medical criteria and any other requirements that must be satisfied in order for the service, procedure, or drug to be prior authorized by the health plan. Proposed law repeal present law and instead requires that OGB maintain and publish on a publicly accessible website a list of healthcare services, procedures, and pharmaceuticals subject to prior authorization. If the prior authorization is not on the list, proposed law prohibits a health plan from requiring prior authorization. If a health plan fails to communicate a prior authorization decision in the timeframe listed on the website, proposed law provides that prior authorization is no longer required as a condition of payment. Proposed law requires OGB to report annually on prior authorization statistics to the Senate Finance Committee and the House Appropriations Committee.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
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	2023-24	2024-25	2025-26	2026-27	2027-28	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 result in an indeterminable increase in SGR expenditures within the Office of Group Benefits (OGB) for administrative and staffing expenditures and an indeterminable impact on claim expenditures. The proposed law requires OGB to publish and maintain a publicly available website that lists healthcare services, procedures, or pharmaceuticals subject to prior authorization, step therapy, or fail first protocols, along with the corresponding requirements or criteria satisfying the prior authorization, for every health plan offered through the office. Proposed law rescinds prior authorization requirements under certain circumstances.

Administrative and Staffing

OGB anticipates that increased administrative and staffing expenditures are necessary to implement this measure. Under the proposed law, OGB will have to continually monitor and ensure all OGB health plans provide all prior authorization information and changes for publication on a publicly available website. OGB has indicated increased costs associated with additional work by the Office of Technology Services (OTS) to publish and continually updated the list on its website. Also, OGB has indicated they would likely hire a Group Benefits Analyst position at a cost of approximately \$120,181 (\$71,362 salary and \$48,819 related benefits). The Legislative Fiscal Office (LFO) assumes the agency can utilize existing resources and budget authority. To the extent that the agency cannot, OGB would require additional budget authority, presumed to be SGR derived from increased plan premiums.

Claim Expenditures

The impact of the proposed law on claims expenditures is indeterminable as the cost depends on the nature and volume of the health services or pharmacy benefits impacted by the prior authorization procedures established in this measure.

OGB reports that it anticipates an indeterminable increase in claims expenditures as the result of previously denied medical or pharmaceutical benefits being covered under this measure due to the agency or its vendor's failure to timely post prior authorization, step therapy, or fail first protocols and/or updates on its website, or to the extent a prior authorization decision is not communicated within prescribed timelines.

Also, OGB reports that if the proposed law were to apply to all OGB's administered plans, including the fully-insured plans such as Medicare Advantage, additional authorization would be required by non-state authorities such as the Centers for Medicare & Medicaid Services (CMS) prior to implementation.

REVENUE EXPLANATION

Proposed law may result in an indeterminable impact on SGR collected from premiums within the Office of Group Benefits (OGB) as a result of unknown changes in health and pharmacy claim expenditures. 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 modify premiums in order to maintain an actuarially sound fund balance of \$250 M. As of February 2023, the OGB fund balance was \$434 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}

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