LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 347** SLS 24RS 394
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:
REVISED

Date: April 16, 2024 7:57 PM
Author: HARRIS, JIMMY
Dept./Agy.: Insurance
Subject: Fairness in Certain Cost-Sharing of Covered Prescriptions
Analyst: Patrice Thomas

HEALTH/ACC INSURANCE OR NO IMPACT See Note

Provides relative to ensuring fairness in certain cost-sharing practices. (gov sig)

Proposed law applies to both health insurance issuers and third-party administrators and provides the following: an enrollee's defined cost sharing for each prescription drug is to be calculated at the point of sale based on the net price for the prescription drug, and a health insurance issuer can decrease an enrollee's defined cost sharing by an amount greater than that required under this proposed law. Proposed law provides civil or criminal penalties for noncompliance. Proposed law provides a health insurance issuer or its agents cannot publish or disclose information about the actual amount of rebates the health insurance issuer receives. Proposed law provides that rebating information is considered a trade secret and is not a public record. Proposed law provides for definitions.

EXPENDITURES	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**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**

REVENUES	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**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

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Under the proposed law, the state would not be required to make defrayal payments. **The LFO is publishing a REVISED version of this fiscal note after receiving updated information from the LDI regarding the impact of the proposed law on the private insurance industry.**

Insurance Exchanges Impact (State General Fund Defrayal Impact) - Proposed law will increase claims expenditures beginning in FY 25 and subsequent fiscal years according to an analysis provided by the LDI health actuary. The impact on policies issued by qualified health plans through the health insurance exchange is estimated to increase claims by approximately $10 M to $15 M and a potential phase-up of $12.5 M to $18.8 M SGF by FY 29 and beyond. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 200,000 and the insured population is assumed to be stationary; medical cost inflation (MI) is 8%; the premium loss ratio is 85%; and $4.18 PMPM (low) to $6.26 PMPM (high) over the entire insured population based on research and analysis. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

Aggregate Cost Determination*
Aggregate cost = exchange population x PMPM cost x 12 months
FY 25 (Low) - 200,000 x $4.18 PMPM x 12 months = $10,032,000
FY 25 (High) - 200,000 x $6.26 PMPM x 12 months = $15,024,000

FY 26 (Low) - $10,032,000 x 8% MI = $10,834,560
FY 26 (High) - $15,024,000 x 8% MI = $16,225,920

FY 27 (Low) - $10,834,560 x 8% MI = $11,376,290
FY 27 (High) - $16,225,920 x 8% MI = $17,037,220

FY 28 (Low) - $11,376,290 x 8% MI = $11,945,100
FY 28 (High) - $17,037,220 x 8% MI = $17,889,080

FY 29 (Low) - $11,945,100 x 8% MI = $12,542,360
FY 29 (High) - $17,889,080 x 8% MI = $18,783,530
*Estimated claims expenditures and premium increases are rounded to the nearest thousand.

See EXPENDITURE EXPLANATION on page 2

REVENUE EXPLANATION

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

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}

Alan M. Boxberger

Alan M. Boxberger
Legislative Fiscal Officer

CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION Continued from page 1

PRIVATE INSURANCE IMPACT

Pursuant to R.S. 24:603.1, the information below is the projected impact of the proposed law on the private insurance market. Based upon an actuarial analysis prepared by LDI, the proposed law is anticipated to increase expenditures associated with claims by $33.8 M - $50.7 M and premium increases by $39.8 M - $59.4 M for private insurers and the insured in FY 25 with phase-up costs of an estimated $42.3 M - $63.4 M claims and $49.9 M - $74.2 M premiums by FY 29. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 675,000 (including 200,000 population in health exchanges) and the insured population is assumed to be stationary, entries equal exits; medical cost inflation (MI) is 8% in FY 26, then 5% in subsequent years; the premium loss ratio is 85%; and the **estimated cost is between $4.18 PMPM and $6.26 PMPM over the entire insured population, which represents an annual premium increase between 0.64% (low) to 0.96% (high) on an average monthly premium/PMPM of $650**. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

Aggregate Cost Determination*
(insured population x PMPM cost x 12 months x MI)
FY 25 (Low) - 675,000 x $4.18 x 12 months = $33,858,000
FY 25 (High) - 675,000 x $6.26 x 12 months = $50,706,000

FY 26 (Low) - $33,858,000 x 8% MI = $36,566,640
FY 26 (High) - $50,706,000 x 8% MI = $54,762,480

FY 27 (Low) - $36,566,640 x 5% MI = $38,394,970
FY 27 (High) - $54,762,480 x 5% MI = $57,500,600

FY 28 (Low) - $38,394,970 x 5% MI = $40,314,720
FY 28 (High) - $57,500,600 x 5% MI = $60,375,630

FY 29 (Low) - $40,314,720 x 5% MI = $42,330,456
FY 29 (High) - $60,375,630 x 5% MI = $63,394,412

Aggregate Extra Premium Determination*
(PMPM cost x 12 months)/medical loss ratio x MI
FY 25 (Low) - ($4.18 x 12 months)/85% = $59
FY 25 (High) - ($6.26 x 12 months)/85% = $88

FY 26 (Low) - $59 x 8% MI = $64
FY 26 (High) - $88 x 8% MI = $95

FY 27 (Low) - $64 x 5% MI = $67
FY 27 (High) - $95 x 5% MI = $100

FY 28 (Low) - $67 x 5% MI = $70
FY 28 (High) - $100 x 5% MI = $105

FY 29 (Low) - $70 x 5% MI = $74
FY 29 (High) - $105 x 5% MI = $110

*Estimated claims expenditures are rounded to the nearest thousand and premium increases are rounded to whole dollars.