

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 132** SLS 16RS 334
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **W/ PROP SEN FLOOR AMD**
 Sub. Bill For.: **REVISED**

Date: May 4, 2016 8:01 AM	Author: MARTINY
Dept./Agy.: OGB/Insurance	Analyst: Willis Brewer
Subject: Health insurance coverage for disorders of head and neck	

HEALTH/ACC INSURANCE OR +\$154,000 GF EX See Note Page 1 of 2
 Requires health insurance coverage for bone or joint disorders of the head and neck (8/1/16).

Proposed law requires every hospital, health, or medical expense insurance policy, medical service contract, employee welfare benefit plan, health and accident insurance policy, or any other insurance contract which provides coverage for diagnostic, therapeutic, or surgical procedures involving any bone or joint of the skeleton to include coverage for bone or joint disorders of the head and neck.

Proposed law requires the coverage for diagnostic, therapeutic, or surgical procedures involving bones or joints of the head or neck to be subject to the same conditions and limitation as apply to coverage for treatment of other bones or joints of the skeleton.

Proposed law applies to all new policies, plans, certificates, and contracts issued on or after 8/1/2016. Existing plans will be required to comply by or before 8/1/2017.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$154,000	\$326,000	\$206,000	\$73,000	\$76,000	\$835,000
Agy. Self-Gen.	\$132,000	\$280,000	\$177,000	\$62,000	\$65,000	\$716,000
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	\$286,000	\$606,000	\$383,000	\$135,000	\$141,000	\$1,551,000

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	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

This measure will increase the benefits provided by Office of Group Benefit (OGB) and is anticipated to increase OGB's annual claim costs by \$132,000 in FY 17 and as high as \$280,000 in FY 18. In addition, under 42 U.S.C. 18031 of the Affordable Care Act, a state must bear the cost of any additional mandated benefit enacted after 12/31/2011 for any enrollee of a Qualified Health Plan (QHP). A QHP is a health plan certified by the federal government to provide health coverage through the Health Insurance Marketplace. The state will be obligated to reimburse QHP providers the additional costs associated with these mandated benefits. Therefore, in addition to increase in OGB costs, this measure is anticipated to increase state general fund expenditures of the state by \$154,000 in FY 17 and \$326,000 in FY 18.

Office of Group Benefits Costs

This measure will require OGB to include coverage for diagnostic, therapeutic, or surgical procedures involving any bone or joint disorders of the head and neck. Additional benefits include coverage for temporal mandibular joint (TMJ) disorders, which OGB insurance currently does not cover. If enacted, OGB anticipates this measure will be implemented to its current benefit plans next calendar year (1/1/2017) to coincide with the annual renewal of the plans.

Since OGB does not currently cover TMJ disorders in any of their benefit plans, Blue Cross Blue Shield (BCBS) was contacted to gather historical claim data pertaining to TMJ disorders in order to determine a claims impact. Based on the last three years of data (2012-2014), the per member per month (PMPM) cost for these type of benefit services ranged from \$0.0139 to \$0.0235. OGB's actuary anticipates the initial utilization will be significantly greater than the average therefore this analysis assumes a PMPM cost of \$.10 for first twenty-four months. However, the claims in subsequent months (beginning January of Year 3) are anticipated to decrease to a similar PMPM level cost that Blue Cross has reported (\$.02). In addition, the five year estimates assume a constant membership of 219,831 (as of May 1, 2016) and assume a constant 6% medical and prescription inflation growth.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. OGB does not anticipate at this time that the increase in claims will require an additional increase to premiums charged to active and retired plan members or to state agencies for FY 17-19. There are no current actuarial projections for FY 20 and FY 21, but it is not anticipated these years will require additional revenue increases. However, this is contingent on implementing annual premium rate increases and/or benefit changes to mitigate the cost of medical and prescription drug inflation.

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}

Evan Brasseaux

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Staff Director

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CONTINUED EXPLANATION from page one:

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Office of Group Benefits Costs continued from page 1

Est. Cost to OGB	FY 17	FY 18	FY 19	FY 20	FY 21
OGB plan members	219,831	219,831	219,831	219,831	219,831
Months	6	12	12	12	12
\$ Per Member Per Month	\$0.10	\$0.10	\$0.06	\$0.02	\$0.02
Growth Rate Factor	-	6%	12%	18%	24%
Total Estimated OGB Cost	\$132,000	\$280,000	\$177,000	\$62,000	\$65,000

Note: There will only be half a fiscal year worth of claims since the plan changes will be implemented in January for FY17. For FY 19, the PMPM will be an average of \$.06 (July - December at \$0.10; January - June at \$0.02) to blend these two time periods.

Qualified Health Plan Costs:

There are approximately 256,000 individuals covered by a Qualified Health Plan in Louisiana based on information provided by Blue Cross, Vantage, United Healthcare, and Humana.

Health Care Provider	Individuals Covered by QHP
Blue Cross Blue Shield	150,979
Vantage Health Plan	22,247
United Healthcare	48,000
Humana Health	34,666
Total Qualified Health Plan	255,892

The following five year estimate uses similar methodology that was used for the OGB projection including the following assumptions: a partial fiscal year in FY 17, a six percent growth rate, and the same PMPM costs.

Est. Cost to State	FY 17	FY 18	FY 19	FY 20	FY 21
Qualified Health Plan	255,892	255,892	255,892	255,892	255,892
Months	6	12	12	12	12
\$ Per Member Per Month	\$0.10	\$0.10	\$0.06	\$0.02	\$0.02
Growth Rate Factor	-	6%	12%	18%	24%
Total Estimated SGF Cost	\$154,000	\$326,000	\$206,000	\$73,000	\$76,000

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