

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 460** HLS 18RS 123
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 28, 2018 8:10 AM	Author: STOKES
Dept./Agy.: LA Dept. of Health/Office of Group Benefits	Analyst: Zachary Rau
Subject: Minimum Mammography Standards	

INSURANCE/HEALTH OR INCREASE GF EX See Note Page 1 of 2
 Provides that mammography examinations shall be conducted through digital tomosynthesis

Proposed law defines "digital breast tomosynthesis" and provides that minimum mammography examinations shall be conducted through the aforementioned method and based upon a certain schedule as outlined in present law. Proposed law requires the minimum mammography to be a covered service and applicable to new policies, contracts, programs, or health coverage plans issued on and after January 1, 2019, including the Louisiana Medicaid Program and the Office of Group Benefits. Effective January 1, 2019.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will increase SGF and federal funds expenditures for the LA Dept. of Health and SGR expenditures for the Office of Group Benefits (OGB) by an indeterminable, but significant amount (see departmental estimates below). The proposed legislation provides that the standard for minimum mammography examinations consists of digital breast tomosynthesis, an imaging service that produces a three-dimensional cross section of the breast.

LA Dept. of Health

The LA Dept. of health anticipates a significant increase in SGF and federal funds expenditures estimated to total **\$5.21 M** within Medical Vendor Payments (MVP) associated with providing mammography exams including digital breast tomosynthesis through Medicaid for women aged 35-39 pursuant to LA R.S. 22:1028. Medicaid presently covers mammography exams and digital breast tomosynthesis for women aged 40 and older, but does not include women aged 35-39. Proposed law expands services to women aged 35-39 for one baseline mammography exam, including digital breast tomosynthesis. The total Medicaid reimbursement for the aforementioned service totals \$134.16.

LDH reports a total population of 57,070 women aged 35-39 currently enrolled in Medicaid. Furthermore, based upon LDH research, the American Cancer Society reports that approximately 68% of women aged 35-39 receive mammography exams, or 38,808 women to the extent women in Louisiana receive exams at the same rate.

To the extent Medicaid-enrolled women aged 35-39 receive one mammography exam pursuant to proposed law, 38,808 exams will be performed with associated reimbursements totaling approximately \$5.21 M (38,808 exams * \$134.61/exam). Due to the uncertainty of if and when this population will receive exams, the cumulative effect may be realized in FY 19 or across a number of fiscal years, and is ultimately indeterminable due to uncertain utilization of the service. Additionally, MVP may pay increased reimbursements associated with mammography exams as women enrolled in Medicaid turn 35 and utilize the new exam benefit. This impact is similarly indeterminable and dependent upon the number of women becoming eligible for and choosing the utilize the new benefit. **(Expenditure Explanation cont. on Page 2)**

REVENUE EXPLANATION

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. Furthermore, to the extent women aged 35-39 enrolled in Medicaid seek mammography exams as a result of their new benefit, the LA Dept. of Health may realize a greater draw down of federal resources.

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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Staff Director

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CONTINUED EXPLANATION from page one:

(Expenditure Explanation cont. from Page 1)

Office of Group Benefits

The Office of Group Benefits (OGB) anticipates significant but indeterminable SGR expenditure increases associated with medical claims resulting from proposed law. Based upon OGB estimates, the FY 19 estimated increase totals approximately \$358,881 with a phase-up to \$804,245 by FY 23 (see narrative below). For reference, OGB's self-funded plans provide for annual preventative mammography examinations, including 2D-Only and 2D/3D Combination (Combo) exams. In Plan Year 2017, OGB members received 32,738 exam claims (18,378 2D-Only, 14,360 2D/3D Combo) with Plan Year (PY) 2018 2D-Only per-exam costs totaling \$118.59 and 2D/3D Combo per-exam costs totaling \$156.40, resulting in a marginal cost of \$37.81 to perform a 2D/3D Combo exam in lieu of a 2D-Only exam.

For illustrative purposes, the substantive effect of this legislation for OGB is realized when applying the marginal cost of \$37.81 in PY 18 for Combo exams to the amount of 2D-Only exams that will be converted to Combo exams. To the extent total exams performed remain consistent with historical norms and all 2D-Only exams from Plan Year 2017 are converted to 2D/3D Combo exams, OGB would realize an expenditure increase of approximately \$695,000 (18,738 2D-Only Exams * \$37.81 marginal cost to perform 2D/3D Combo Exam) for PY 18. Furthermore, OGB anticipates a medical inflation factor of 3.3% to be applied to each plan year, resulting in cost increases for subsequent fiscal years.

A projection of out-year expenditures for OGB for FYs 19-23 utilizing the preceding methodology is outlined below. It must be noted that OGB's Plan Years operate on a calendar year basis, that the effect of proposed law will only be realized for the second half of FY 19 due to the effective date of January 1, 2019, and the full effect of proposed law will first be realized in FY 20. Furthermore, because of the discrepancy between plan years and fiscal years, the effect of proposed law in a given fiscal year is the cumulative effect of two plan years. For example, proposed law's effect in FY 20 is comprised of claims based on rates for and populations treated in Plan Year 19 and Plan Year 20. Lastly, because utilization of this service and cost increases associated with medical inflation are ultimately unknown, the exact expenditure increase cannot be determined.

- FY 19 - \$358,881 (only realized in half of FY)
- FY 20 - \$729,604 (spans PYs 19-20)
- FY 21 - \$753,681 (spans PYs 20-21)
- FY 22 - \$778,553 (spans PYs 21-22)
- FY 23 - \$804,245 (spans PYs 22-23)

Note: to the extent OGB does not have a sufficient fund balance to fund the increased expenditures in future fiscal years, it may be required to increase premiums for members to maintain an actuarially sound fund balance (see Revenue Explanation). For reference, OGB reports a current fund balance of approximately \$231.9 M.

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