

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 282** SLS 18RS 697  
 Bill Text Version: **REENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 26, 2018	8:34 AM	<b>Author:</b> MILLS
<b>Dept./Agy.:</b> Insurance		<b>Analyst:</b> Willis Brewer
<b>Subject:</b> Provides relative to prescription drug pricing. (8/1/18)		

HEALTH/ACC INSURANCE RE INCREASE SG EX See Note Page 1 of 2  
 Provides relative to prescription drug pricing. (8/1/18)

Proposed law requires certain health insurance issuers to notify enrollees that they are subject to an excess consumer cost burden when they are charged more for a prescription drug than their insurer pays or would pay after considering drug rebates from the drug manufacturer into the total cost of the drug.

Proposed law requires certain health insurance issuers to certify to the commissioner of insurance that they passed on to the consumer at least 50% of the rebates received from drug manufacturers. Proposed law provides that in making this certification all information given to the commissioner shall be confidential.

Proposed law provides for enforcement against a health insurance issuer's license for failure to comply with proposed law, or providing a false certification.

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
<b>Annual Total</b>						

  

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed legislation will significantly increase the Office of Group Benefit's (OGB) expenditures as a result of providing its enrollees at least 50% of the rebates OGB receives from prescription drugs. OGB may also incur increased operational costs, which are indeterminable at this time. Furthermore, state agency and participating local governmental entities expenditures will increase to the extent OGB insurance premium rates are increased.

OGB projects it will receive \$61 M in rebates in FY 19. Currently, these rebates are deposited into OGB's fund balance to offset expenditures and to mitigate the need for premium increases, benefit reductions, or eligibility restrictions. This measure will require OGB to revert at least 50% of these rebates to enrollees (consumers) beginning January 1, 2019 which is anticipated to increase prescription claims by **\$15.3 M for FY 19 (January - June 2019)**. Assuming the actuarially projected annual growth rate of 3.39% on rebates, **the projected annual increase in pharmacy claims expenditures is \$31.5 M in FY 20, \$32.6 M in FY 21, \$33.7 M in FY 22, and \$34.9 M in FY 23.** In addition, it is assumed this measure will impact all private health insurance issuers, including LSU FIRST which is administered by LSU.

It is unclear how health insurance issuers will provide the rebates received from drug manufacturers at the point of sale, since rebates are received several months after the point of sale. Health insurance issuers may use prior year rebates and costs in order to estimate the rebate for the consumer at the point of sale, however, to the extent the rebates are higher or lower than the prior year, this may result in the issuer providing more or less than required 50% minimum of total rebates in a given year.

To offset this increase in expenditures, health insurance issuers will likely be required to increase premiums. Any increase in premiums to OGB's self-funded health plans will result in an increase in insurance costs to OGB members and their employing state and local governmental agencies. OGB's self-funded health plan premiums are projected to be \$1.3 B in FY 18; therefore, a one percent increase in premiums would increase premiums by \$13.4 M. For illustrative purposes, assuming the average employer contribution rate of 66% (regardless of employee plan type), a one percent increase in premiums will increase OGB employer contributions by \$8.8 M. State agencies utilize all means of finance to fund employee benefits. **Continued on Page 2**

**REVENUE EXPLANATION**

In order to maintain a solvent fund balance, OGB and other health insurance issuers may need to increase premiums to consumers in order to offset the additional costs. In order to offset these increases, it is estimated OGB will need to increase premiums by 1.2% to all members the first year (FY 19) and by 2.4%-2.7% in FY 20 - FY 23. However, any increase in premiums will require approval by its board prior to implementation.

Senate  
 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*  
**Evan Brasseaux**  
**Staff Director**

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**CONTINUED EXPLANATION from page one:**

If OGB is unable to obtain authorization for premium increases in an amount sufficient to offset the impact of the proposed legislation, in order to maintain a healthy fund balance OGB may need to decrease medical and pharmacy claims by enacting plan of benefit reductions and/or member eligibility restrictions. Any such adjustments are indeterminable at this time.

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}

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