

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 370** HLS 19RS 425
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 28, 2019	1:07 PM	Author: STOKES
Dept./Agy.: LA Dept. of Insurance/Office of Group Benefits		Analyst: Zachary Rau
Subject: Drug Benefits for Persons with Metastatic Cancer		

INSURANCE/HEALTH RE1 INCREASE GF EX See Note Page 1 of 2
 Provides relative to prescription drug benefits for persons with stage-four advanced, metastatic cancer

Proposed law states that not health coverage plan in LA may use step therapy or fail first protocols to restrict prescription benefits for the treatment of stage-four, metastatic cancer or associated conditions if one of the following applies: the prescribed drug/drug regimen has approved indication from the US Food & Drug Administration (FDA); the prescribed drug/drug regimen has approved indicated from the National Comprehensive Cancer Network Drugs and Biologics Compendium; or if the the prescribed drug/drug regimen is supported by peer-reviewed, evidence-based literature. Proposed law requires notification by providers to health insurers when prescribing drugs for conditions associated with stage-four, metastatic cancer when requesting authorization. Effective upon governor's signature.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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	\$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	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	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 increase State General Fund expenditures associated with a mandate to health insurance policies issued under the insurance exchanges and Self-Generated Revenue expenditures for the Office of Group Benefits (OGB) by an indeterminable amount beginning in FY 20 and in subsequent fiscal years (see narratives below). Furthermore, proposed law will increase claims expenditures for the health insurance industry by an estimated \$1.52 M - \$2.24 M and premiums by an estimated \$2.1 M - \$3.1 M in FY 20 (see narrative on Page 2).

Insurance Exchanges Impact (State General Fund Impact)

Proposed law will increase SGF expenditures for the state beginning in FY 20 and in subsequent fiscal years according to an analysis provided by the LA Dept. of Insurance. The state would be required to fund health claims expenditures associated with proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 20 with estimated costs totaling \$276,000 to \$408,000 SGF and a phase-up of costs to approximately \$671,000-\$992,000 SGF by FY 24. Claims expenses associated with proposed law would be paid out by the LA Dept. of Treasury. LDI bases this analysis on the following assumptions: the calculations apply on a fiscal year basis; an exchange population of 100,000; a stationary insured population; a PMPM totaling \$0.46-\$0.68; coverage being in effect for only half of FY 20; and medical cost inflation of 5% annually. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

FY 20 - \$276,000 (100K members * \$0.46 PMPM * 6 months) - \$408,000 (100K members * \$0.68 PMPM * 6 months)
 FY 21 - \$580,000 (100K members * \$0.46 PMPM * 12 * 1.05 inflation) - \$857,000 (100K members * \$0.68 PMPM * 12 * 1.05 inflation)
 FY 22 - \$609,000 - \$900,000
 FY 23 - \$639,000 - \$945,000
 FY 24 - \$671,000 - \$992,000

Office of Group Benefits Impact (Self-Generated Revenue Impact)

Proposed law will increase SGR expenditures for claims by an estimated \$22,012 - \$32,539 in FY 20 with a phase-up to \$46,701 - \$69,036 by FY 24. OGB reports that only 7,842 members participate in the Pelican HSA775, which the proposed law will affect, as it is the only plan that utilizes the ExpressScripts pharmacy benefit manager (PBM) and their associated formulary. **(Expenditure Explanation cont. on Pg. 2)**

REVENUE EXPLANATION

The Office of Group Benefits does not anticipate that additional costs associated with proposed law will require premium increases, and therefore will not affect SGR premium collections. Furthermore, the OGB reports that projected costs for the proposed legislation would be covered by its fund balance of approximately \$273.17 M. However, 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 to fund ongoing program costs and maintain an actuarially sound fund balance of \$200 M.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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Staff Director

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CONTINUED EXPLANATION from page one:

(Expenditure Explanation cont. from Pg. 1)

OGB's assumptions associated with the expenditure increases are as follows: the calculations apply on a fiscal year basis; an OGB population of 7,842; a stationary insured population; a PMPM totaling \$0.46-\$0.68; coverage being in effect for only half of FY 20; medical cost inflation of 1.7% annually; Based upon the aforementioned assumptions, the estimated annual expenditure increases for OGB associated with claims are as follows:

- FY 20 - \$22,012 (7,842 members * \$0.46 PMPM * 6 months) - \$32,539 (7,842 members * \$0.68 PMPM * 6 months)
- FY 21 - \$44,398 - \$65,632
- FY 22 - \$45,153 - \$66,747
- FY 23 - \$45,920 - \$67,882
- FY 24 - \$46,701 - \$69,036

Note: OGB reports that the MedImpact, the PBM serving the remainder of its 208,592 members will not impact step therapy for its drug formulary, as the two prescription drugs in its formulary used to treat neoplastic disease utilize the same active ingredient in both name-brand and generic formulations.

Note: This analysis does not anticipate future changes to MedImpact's drug formulary, as new drugs become available and existing drugs have their patents expire and become available in generic form. To the extent MedImpact's drug formulary changes, OGB may realize increased claims costs and/or loss of rebate revenues. Such changes are currently unknown and indeterminable at this time.

Note: OGB does not anticipate expenditures associated with proposed law to necessitate premium increases for members, and any expenditures will be funded by its fund balance (see Revenue Explanation).

Private Insurance Impact

Pursuant to LA R.S. 24:603.1, the following is the projected private insurance impact of the proposed legislation. Based upon an actuarial analysis prepared by LDI, proposed law is anticipated to increase expenditures associated with claims (\$1.52 M - \$2.24 M) and premium increases (\$2.1 M - \$3.1 M) for the private insurers and the insured in FY 20 with a phase-up to an estimated \$3.69 M - \$5.46 M for claims and an estimated \$5.1 M - \$7.6 M for premiums by FY 24. LDI bases this analysis on the following assumptions: the calculations apply on a fiscal year basis; a private insured population of 550,000 for claims and a total insured population of 650,000 for premiums (inclusive of the Insurance Exchange population); a stationary insured population; a PMPM totaling \$0.46-\$0.68; coverage being in effect for only half of FY 20; medical cost inflation of 5% annually; an 85% loss ratio (LR); Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

- FY 20 - \$1.52 M (550K members * \$0.46 PMPM * 6 months) - \$2.24 M (550K members * \$0.68 PMPM * 6 months)
- FY 21 - \$3.19 M (550K members * \$0.46 PMPM * 12 * 1.05 inflation) - \$4.71 M (550K members * \$0.68 PMPM * 12 * 1.05 inflation)
- FY 22 - \$3.35 M - \$4.95 M
- FY 23 - \$3.51 M - \$5.2 M
- FY 24 - \$3.69 M - \$5.46 M

Based upon the aforementioned assumptions, the estimated annual cost increases for the insured associated with premiums are as follows (Note: premium increases include persons receiving policies through the Insurance Exchange):

- FY 20 - \$2.1 M (650K members * \$0.46 PMPM * 6 months / .85 LR) - \$3.1 M (650K members * \$0.68 PMPM * 6 months / .85 LR)
- FY 21 - \$4.4 M (650K members * \$0.46 PMPM * 12 / .85 LR) - \$6.6 M (650K members * \$0.68 PMPM * 12 / .85 LR)
- FY 22 - \$4.7 M - \$6.9 M
- FY 23 - \$4.9 M - \$7.2 M
- FY 24 - \$5.1 M - \$7.6 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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