

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 408** HLS 20RS 651
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|---|-----------------------------|
| Date: May 12, 2020 6:13 PM | Author: LACOMBE |
| Dept./Agy.: LA Dept. of Insurance/Office of Group Benefits | Analyst: Zachary Rau |
| Subject: Provides Coverage for Certain Cancer Drugs | |

INSURANCE/HEALTH OR INCREASE GF EX See Note Page 1 of 2
 Provides for health insurance coverage of cancer treatments

Proposed law requires health coverage plans delivered in Louisiana to cover medically necessary drugs approved by the Food and Drug Administration and prescribed by a physician for the treatment of a specific mutation of a patient's cancer on the sole basis that the drugs are not indicated for the location in the body of the patient's cancer. Proposed law further requires coverage of an initial treatment period of not less than three months for the medically necessary drugs, and requires insurers to continue coverage if the treating physician certifies they are necessary for the patient's treatment.

| EXPENDITURES | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE | |
| 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | | | | | | |
| REVENUES | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

Proposed law may increase State General Fund expenditures associated with a mandate to health insurance policies issued under the insurance exchanges by an estimated \$0-\$12,000 beginning in FY 21 with a phase-up of costs to \$0-\$29,000 (see narratives below). Furthermore, LDI reports that proposed law may increase claims expenditures for the health insurance industry by an estimated \$0-\$195,000 and premiums by an estimated \$0-\$229,000 in FY 21 (see narrative on Page 2).

Insurance Exchanges Impact (State General Fund Impact)

Proposed law may increase SGF expenditures for the state beginning in FY 21 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 coverage in proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 21 with estimated costs totaling \$0 to \$12,000 SGF and a potential phase-up of costs to approximately \$0-\$29,000 SGF by FY 25. 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 \$0.00-\$0.02; coverage being in effect for only half of FY 21; medical cost inflation of 5% annually; Blue Cross Blue Shield of LA (BCBSLA) stating no impact on their expenses to LDI, and the high-end expenditure representing the cost increase for all other insurers. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

- FY 21 - \$0 (100K members * \$0.00 PMPM * 1 * 6 months) - \$12,000 (100K members * \$0.02 PMPM * 1 * 6 months)
- FY 22 - \$0 (100K members * \$0.00 PMPM * 12 * 1.05) - \$25,000 (100K members * \$0.02 PMPM * 12 * 1.05)
- FY 23 - \$0 - \$26,000
- FY 24 - \$0 - \$28,000
- FY 25 - \$0 - \$29,000

Note: the Office of Group Benefits (OGB) does not anticipate any expenditure increases associated with proposed law. BCBSLA is OGB's third-party administrator and already has policies in place complying with the proposed legislation.

REVENUE EXPLANATION

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

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|---|----------------------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input 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} |

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

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 (\$0 - \$78,000) and premium increases (\$0 - \$92,000) for private insurers and the insured in FY 21 with a phase-up to an estimated \$0-\$190,000 (claims) and \$0-\$223,000 (premiums) by FY 25. LDI bases this analysis on the following assumptions: the calculations apply on a fiscal year basis; an insured population of 650,000; a stationary insured population; a PMPM totaling \$0.00-\$0.02; coverage being in effect for only half of FY 21; medical cost inflation of 5% annually; a premium loss ratio of 85%; Blue Cross Blue Shield of LA (BCBSLA) stating no impact on their expenses to LDI, and the high-end expenditure representing the cost increase for all other insurers. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

- FY 21 - \$0 (650K members * \$0.00 PMPM * 6 months) - \$78,000 (650K members * \$0.02 PMPM * 6 months)
- FY 22 - \$0 ((650K members * \$0.00 PMPM * 12 * 1.05) - \$164,000 (650K members * \$0.02 PMPM * 12 * 1.05)
- FY 23 - \$0 - \$172,000
- FY 24 - \$0 - \$181,000
- FY 25 - \$0 - \$190,000

Based upon the aforementioned assumptions, the estimated annual cost increases for the insured associated with premiums are as follows:

- FY 21 - \$0 (650K members*\$0.00 PMPM*6 months*1.05/.85 LR) - \$92,000 (650K members*\$0.02 PMPM*6 months/.85 LR)
- FY 22 - \$0 (650K members*\$0.00 PMPM*12*1.05 /.85 LR) - \$193,000 (650K members*\$0.02 PMPM*12 *1.05 /.85 LR)
- FY 23 - \$0 - \$202,000
- FY 24 - \$0 - \$212,000
- FY 25 - \$0 - \$223,000

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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