

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 152** HLS 20RS 603
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 15, 2020	5:25 PM	Author: BROWN, CHAD
Dept./Agy.: LA Dept. of Insurance/Office of Group Benefits		Analyst: Zachary Rau
Subject: Health Insurance Coverage for Acupuncture		

INSURANCE/HEALTH EG INCREASE SG EX See Note Page 1 of 2
 Provides for insurance coverage for acupuncture

Proposed law requires large group health coverage plans delivered or issued in Louisiana to provide coverage for acupuncture performed by licensed acupuncturists when medically necessary. Proposed law prohibits discriminatory terminology in policies or contracts, including but not limited to the manner of payment or reimbursement under the policy. Proposed law limits annual acupuncture visits to 12. Proposed law provides that acupuncture coverage may be subject to annual deductibles, coinsurance, and copayment provisions consistent with those established under a health coverage plan. Proposed law provides that all policies must comply with proposed law no later than January 1, 2021.

EXPENDITURES	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.	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	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 will increase Self-Generated Revenue expenditures for the Office of Group Benefits (OGB) by an indeterminable amount beginning in FY 21 and subsequent fiscal years (see narrative below). Furthermore, proposed law will increase claims expenditures for the health insurance industry by an estimated \$1 M - \$2 M and premiums by an estimated \$1.1 M - \$2.3 M in FY 21 (see narrative on Page 2).

Note: because proposed law is limited to large group health insurance plans, it would not present an additional benefit to plans issued on the insurance exchange and would not affect SGF expenditures as a result.

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

Proposed law will increase SGR expenditures for claims by an indeterminable amount for the Office of Group Benefits (OGB) in FY 21 and in subsequent fiscal years. To determine the impact of proposed law, OGB utilized data from a 2012 survey performed by the Centers for Disease Control indicating a 6.6% all-time acupuncture utilization rate among 34,525 persons surveyed (2,278 persons). Of the 2,278 persons, 93.72% (2,135 persons) responded they saw a practitioner for the procedure, with 26.72% (562 persons) saying they had seen a practitioner in the 12 prior months. Using data from this survey as a basis, OGB projected a high-bound utilization as follows utilizing the maximum 12 visits allowed in the proposed legislation:

217,605 OGB enrollees*6.6% all-time utilization*93.72% seeing practitioners*26.79% visiting within last 12 months*12 = 43,272 visits

OGB further reports that information obtained through industry websites (Wang Acupuncture Center, Acupuncture Center of Fernandina) yielded visit durations of 30-60 minutes each. Furthermore, OGB's discussions with Blue Cross Blue Shield of LA, OGB's third-party administrator yielded reimbursement rates for acupuncture services as follows: with one or more needles, without electrical stimulation, initial 15 minutes - \$18.45 non-office/\$21.70 in-office; with one or more needles, without electrical stimulation, each subsequent 15 minutes - \$15.54 non-office/\$16.71 in-office; with one or more needles, with electrical stimulation, initial 15 minutes - \$19.99 non-office/\$24.09 in-office; and with one or more needles, with electrical stimulation, each subsequent 15 minutes - \$17.17 non-office/\$19.96 in-office.

Using the duration/reimbursement rates, OGB projected a lower bound using the 30-minute visit duration for non-office visits excluding electrical stimulation (\$18.45 + \$15.54 = \$33.99 per visit) and an upper bound using the 60-minute visit duration for office visits including electrical stimulation (\$24.09 + 3 * \$19.96 = \$83.97 per visit). **(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 \$258.9 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 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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CONTINUED EXPLANATION from page one:

(Expenditure Explanation cont. from Pg. 1) Based on the aforementioned methodology, the assumption that coverage will only be in place for half of FY 21 due to the January 1 effective date, and a medical inflation (MI) factor of 1.9% compounding annually, OGB's cost estimates are as follows (numbers have been rounded for clarity):

- FY 21 - \$0.75 M (43,272 visits * \$33.99 * 1.9% MI * .5 year) - \$1.85 M (43,272 visits * \$83.97 * 1.9% MI * .5 year)
- FY 22 - \$1.5 M - \$3.7 M
- FY 23 - \$1.5 M - \$3.8 M
- FY 24 - \$1.6 M - \$3.9 M
- FY 25 - \$1.6 M - \$4.0 M

Furthermore, OGB does not anticipate expenditures associated with proposed law to necessitate premium increases for members, and any additional expenditures will be funded by its fund balance (see Revenue Explanation). However, the cost increase for OGB is ultimately indeterminable and dependent upon utilization rates, the nature of the visits (office/non-office), the services rendered (with or without electrical stimulation), and the duration of the services. Furthermore, a determination of medical necessity being required for service reimbursement may further serve to mitigate OGB's potential cost exposure. Because of the aforementioned factors are unknown, the extent of the cost increase is indeterminable.

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 (\$0.5 M- \$0.7 M) and premium increases (\$0.6 M - \$0.8 M) for private insurers and the insured in FY 21 with a phase-up to an estimated \$1.2 M - \$1.7 M for claims and an estimated \$1.4 M - \$2.0 M for premiums by FY 25. LDI bases this analysis on the following assumptions: the calculations apply on a fiscal year basis; a total insured population of 650,000; 50% of the insured population being large group; a stationary insured population; a PMPM totaling \$0.25-\$0.35; coverage being in effect for only half of FY 21; 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 21 - \$0.5M (650K members * .5 * \$0.25 PMPM * 6 months) - \$0.7 M (650K members * .5 * \$0.35 PMPM * 6 months)
- FY 22 - \$1 M (650K members * .5 * \$0.25 PMPM * 12 * 1.05 inflation) - \$1.4 M (650K members * .5 * \$0.35 PMPM * 12 * 1.05 inflation)
- FY 23 - \$1.1 M - \$1.5 M
- FY 24 - \$1.1 M - \$1.6 M
- FY 25 - \$1.2 M - \$1.7 M

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

- FY 21 - \$0.6 M (650K members *.5* \$0.25 PMPM * 6 months / .85 LR) - \$0.8 M (650K members*.5 * \$0.35 PMPM * 6 months / .85 LR)
- FY 22 - \$1.2 M (650K members *.5* \$0.25 PMPM * 12 / .85 LR) - \$1.7 M (650K members *.5* \$0.35 PMPM * 12 / .85 LR)
- FY 23 - \$1.3 M - \$1.8 M
- FY 24 - \$1.3 M - \$1.9 M
- FY 25 - \$1.4 M - \$2.0 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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