

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 202** SLS 20RS 513
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.: **W/ PROP SEN FLOOR AMD**
 Sub. Bill For.:

| | |
|--|-----------------------------|
| Date: May 22, 2020 8:55 AM | Author: TALBOT |
| Dept./Agy.: LA Dept. of Insurance/Office of Group Benefits | Analyst: Zachary Rau |
| Subject: Health Insurance Coverage of Phase I Clinical Trials | |

INSURANCE POLICIES EG INCREASE GF EX See Note Page 1 of 2
 Provides for health insurance coverage for participants in clinical trials. (8/1/20)

Proposed law retains present law relative to insurance coverage for Phase II-IV clinical trials for cancer, and further adds insurance coverage for Phase I clinical trials. Proposed law clarifies that it does not require health insurers to provide coverage for non-health care services, managing research data, and investigational drugs, devices, items, or services associated with a Phase I clinical trial. Effective upon signature of the governor.

| 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 \$24,000-\$48,000 beginning in FY 21 with a phase-up of costs to \$29,200 - \$58,400 (see narratives below). Furthermore, LDI reports that proposed law may increase claims expenditures for the health insurance industry by an estimated \$156,000-\$312,000 and premiums by an estimated \$184,000-\$367,000 in FY 21 (see narrative on Page 2).

Note: Staff at the Office of Group Benefits (OGB) report that the proposed legislation will have no impact on their expenditures because of the exclusions on coverage for certain services associated with Phase I clinical trials.

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 \$0.02-\$0.04; coverage being for FY 21 (proposed measure is effective upon signature of the governor); medical cost inflation of 5% annually; Blue Cross Blue Shield of LA (BCBSLA) stating no impact on their expenses to LDI, and the 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 - \$24,000 (100K members * \$0.02 PMPM * 6 months) - \$48,000 (100K members * \$0.04 PMPM * 6 months)
 FY 22 - \$25,200 (100K members * \$0.02 PMPM * 12 * 1.05) - \$50,400 (100K members * \$0.04 PMPM * 12 * 1.05)
 FY 23 - \$26,500 - \$53,000
 FY 24 - \$27,800 - \$55,600
 FY 25 - \$29,200 - \$58,400

REVENUE EXPLANATION

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

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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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 (\$156,000-\$312,000) and premium increases (\$184,000-\$367,000) for private insurers and the insured in FY 21 with a phase-up to an estimated \$190,000 - \$379,000 (claims) and \$223,000 - \$446,000 (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 \$0.02-\$0.04; coverage being for FY 21 (proposed measure is effective upon signature of the governor); 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 (numbers have been rounded for clarity):

FY 21 - \$156,000 (650K members * \$0.02 PMPM * 12 months) - \$312,000 (650K members * \$0.04 PMPM * 12 months)
 FY 22 - \$163,800 (650K members * \$0.02 PMPM * 12 * 1.05) - \$327,600 (650K members * \$0.04 PMPM * 12 * 1.05)
 FY 23 - \$172,000 - \$344,000
 FY 24 - \$181,000 - \$361,000
 FY 25 - \$190,000 - \$379,000

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

FY 21 - \$184,000 (650K members*\$0.02 PMPM* 12 */.85 LR) - \$367,000 (650K members*\$0.04 PMPM* 12 /.85 LR)
 FY 22 - \$193,000 (650K members*\$0.02 PMPM*12*1.05 /.85 LR) - \$385,000 (650K members*\$0.04 PMPM*12 *1.05 /.85 LR)
 FY 23 - \$202,000 - \$405,000
 FY 24 - \$212,000 - \$425,000
 FY 25 - \$223,000 - \$447,000

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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