



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 677** HLS 22RS 1078
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: April 12, 2022	8:45 AM	Author: JORDAN
Dept./Agy.: Dept of Insurance and Office of Group Benefits		Analyst: Patrice Thomas
Subject: Insulin Prescription Cost Sharing		

INSURANCE/HEALTH OR INCREASE EX See Note Page 1 of 2
 Provides relative to cost sharing for insulin prescriptions

Proposed law defines "health coverage plan", "formulary" and "insulin". Proposed law prohibits a health coverage plan from imposing a cost-sharing provision for insulin in the plan's formulary if the enrollee is required to pay more than \$25 per prescription for a 30-day supply, regardless of the amount or type of insulin. Proposed law requires a health coverage plan to include at least one insulin from each therapeutic class in the plan's formulary.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	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	2022-23	2023-24	2024-25	2025-26	2026-27	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 significantly increase Self-Generated Revenue expenditures within the Office of Group Benefits (OGB) and may increase State General Fund expenditures associated with a mandate to health insurance policies issued under the insurance exchanges beginning in FY 23 and subsequent fiscal years (see narrative below). Furthermore, proposed law will increase claims expenditures for the health insurance industry by an estimated \$800,000 - \$1.6 M and premiums by an estimated \$900,000 - \$1.8 M in FY 23 (see Expenditure Explanation on Page 2).

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

Proposed law significantly increases expenditures within the Office of Group Benefits (OGB). Proposed law requires OGB to limit an enrollee/member cost-sharing amount to \$25 for a 30-day prescription of insulin. Also, the proposed law requires OGB to include in its f at least one insulin from each therapeutic class. Based upon the assumptions listed below, the expenditures to cover this benefit range are as follows:

FY 22-23*	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Total
\$623,679	\$693,304	\$706,477	\$719,900	\$733,578	\$3,476,938

*FY 22-23 represent 11 months of estimated claims expenditures

Unless OGB Fund Balance is utilized, SGF appropriation will be required to cover the state portion of the increase in premium costs, which is approximately 40%. As of February 2022, the OGB Fund Balance was \$385 M.

The expenditure estimate is based upon the following assumptions: (1) As of 3/01/2022, the current OGB member population in the five self-funded health plans is 212,884. No change in OGB self-funded health plan membership in future fiscal years from current levels. (2) The coverage will become effective on 8/01/2022. (3) the annual cost estimates is based on data provided by OGB's pharmacy benefit manager from January 2022 and February 2022 claims that exclude the \$25 cap. No additional costs are associated with plan members reaching their \$1,500 annual out-of-pocket maximum cost. (4) Assumes the \$25 cap per 30-day applies to 60-day supply (\$50 cap) and 90-day supply (\$75 cap). (5) In future fiscal years, a medical inflation factor of 1.9%.

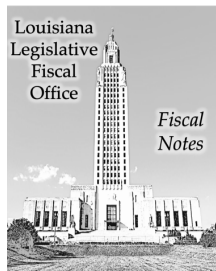
EXPENDITURE EXPLANATION Continues on Page 2

REVENUE EXPLANATION

The Office of Group Benefits (OGB) does not anticipate the proposed law to require premium increases, therefore there is no impact self-generated revenues collected from premiums. OGB has indicated the estimated costs associated with limiting member cost-sharing for insulin may be absorbed by the existing fund balance reserve. However, to the extent other legislative instruments that are enacted expand covered medical and pharmacy benefits, the cumulative impact may be significantly material and require OGB to increase premiums in order to maintain an actuarially sound fund balance of \$250 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}

Evan Brasseaux
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 Interim Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION Continued from Page 1

Based on the aforementioned methodology, the assumption that coverage will only be in place for 11 months in FY 23 due to the August 1st effective date, and a medical inflation (MI) factor of 1.9% compounding annually, below are expenditure calculations utilized to project the cost within OGB as a result of the proposed law utilizing the assumptions listed on page one.

	Average Member Cost per Claim	HB 677 Member Cap	Difference	Average Member Claims	Additional Claim Cost
30 Day	\$55.63	\$25	\$30.63	11,268	\$345,138.84
60 Day	\$111.48	\$50	\$61.48	2,982	\$183,333.36
90 Day	\$136.82	\$75	\$61.82	<u>2,252</u>	<u>\$139,218.64</u>
				16,502	\$667,690.84

Expenditure Calculations

FY 23 = \$680,377 = \$667,691 x 1.9% MI (\$272,151 SGF)
 FY 24 = \$693,304 = \$680,377 x 1.9% MI (\$277,322 SGF)
 FY 25 = \$706,477 = \$693,304 x 1.9% MI (\$282,591 SGF)
 FY 26 = \$719,900 = \$706,477 x 1.9% MI (\$287,960 SGF)
 FY 27 = \$733,578 = \$719,900 x 1.9% MI (\$293,431 SGF)
 Total = \$4,201,328 (\$1,680,531 SGF)

Insurance Exchanges Impact (State General Fund Impact)

Proposed law may increase SGF expenditures beginning in FY 23 and in subsequent fiscal years according to an analysis provided by the health actuary at LDI. The state would be required to fund health claims expenditures associated with limiting member cost-sharing for insulin in proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 23 with estimated costs totaling \$180,000 to \$660,000 SGF and a potential phase-up to over \$219,000 to \$802,000 SGF by FY 27. Claims expenses associated with proposed law would be paid out by the State Treasury Department. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 100,000 and the insured population is assumed to be stationary; medical cost inflation is 5%; the premium loss ratio is 85%; and the estimated cost is between \$0.15 PMPM and \$0.55 PMPM over the entire insured population. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

Aggregate Cost Determination

Aggregate cost of breast reduction = exchange population x PMPM cost x 12 months

FY 23 (Low) - 100,000 x \$0.15 PMPM x 12 months = \$180,000
 FY 23 (High) - 100,000 x \$0.55 PMPM x 12 months = \$660,000

FY 24 (Low) - \$180,000 x 5% MI = \$189,000
 FY 24 (High) - \$660,000 x 5% MI = \$693,000

FY 25 (Low) - \$189,000 x 5% MI = \$198,450
 FY 25 (High) - \$693,000 x 5% MI = \$727,650

FY 26 (Low) - \$198,450 x 5% MI = \$208,373
 FY 26 (High) - \$727,650 x 5% MI = \$764,033

FY 27 (Low) - \$208,373 x 5% MI = \$218,792
 FY 27 (High) - \$764,033 x 5% MI = \$802,235

PRIVATE INSURANCE IMPACT

Pursuant to R.S. 24:603.1, the information below is the projected private insurance impact of proposed law. Based upon an actuarial analysis prepared by LDI, the proposed law is anticipated to increase expenditures associated with claims by \$1.2 M - \$4.3 M and premium increases by \$1.4 M - \$5.1 M for private insurers and the insured in FY 23 with a phase-up costs of an estimated \$1.4 M - \$5.2 M claims and \$1.7 M - \$6.1 M premiums by FY 27. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 650,000 and the insured population is assumed to be stationary; medical cost inflation is 5%; the premium loss ratio is 85%; and the estimated cost is between \$0.15 PMPM and \$0.55 PMPM over the entire insured population. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

Aggregate Cost Determination

(exchange population x PMPM cost x 12 months)
 FY 23 (Low) - 650,000 x \$0.15 PMPM x 12 months = \$1,170,000
 FY 23 (High) - 650,000 x \$0.55 PMPM x 12 months = \$4,290,000

FY 24 (Low) - \$1,170,000 x 5% MI = \$1,228,500
 FY 24 (High) - \$4,290,000 x 5% MI = \$4,504,500

FY 25 (Low) - \$1,228,500 x 5% MI = \$1,289,925
 FY 25 (High) - \$4,504,500 x 5% MI = \$4,729,725

FY 26 (Low) - \$1,289,925 x 5% MI = \$1,354,421
 FY 26 (High) - \$4,729,725 x 5% MI = \$4,966,211

FY 27 (Low) - \$1,354,421 x 5% MI = \$1,422,142
 FY 27 (High) - \$4,966,211 x 5% MI = \$5,214,522

Aggregate Extra Premium Determination

(PMPM cost x 12 months)/medical loss ratio
 FY 23 (Low) - (\$0.15 PMPM x 12 months)/85% = \$2.12
 FY 23 (High) - (\$0.55 PMPM x 12 months)/85% = \$7.76

FY 24 (Low) - \$2.12 x 5% MI = \$2.22
 FY 24 (High) - \$7.76 x 5% MI = \$8.15

FY 25 (Low) - \$2.22 x 5% MI = \$2.33
 FY 25 (High) - \$8.15 x 5% MI = \$8.56

FY 26 (Low) - \$2.33 x 5% MI = \$2.45
 FY 26 (High) - \$8.56 x 5% MI = \$8.99

FY 27 (Low) - \$2.45 x 5% MI = \$2.57
 FY 27 (High) - \$8.99 x 5% MI = \$9.44

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}

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