



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 118** SLS 22RS 264Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 2, 2022 **4:24 PM****Author:** TALBOT**Dept./Agy.:** Office of Group Benefits and Dept. of Insurance**Subject:** Genetic Testing of Certain Cancer Mutations**Analyst:** Patrice Thomas

HEALTH/ACC INSURANCE

EG INCREASE SG EX See Note

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Requires medical necessity for genetic testing of certain cancer mutations is based on nationally recognized clinical practice guidelines. (7/1/22)

Proposed law requires health care insurers to cover biomarker testing for diagnosis, treatment, appropriate management, or ongoing monitoring of an individual's disease or condition when the test is supported by, but not limited to the labeled indications for tests approved or cleared by the United States Food and Drug Administration (FDA), or indicated tests for drugs approved by the FDA, or the Centers for Medicare and Medicaid Services National Coverage Determinations, or Medicare Administrative Contractor Local Coverage Determinations, or nationally recognized clinical practice guidelines and consensus statements. Proposed law provides for definitions of "consensus statements" and "nationally recognized clinical practice guidelines". Proposed law effective on July 1, 2022.

EXPENDITURES	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.	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) 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 \$3.9 M - \$7.8 M and premiums by an estimated \$4.6 M - \$9.2 M in FY 23 (see Expenditure Explanation on Page 2). Proposed law has no impact on health insurance policies issued under the insurance exchanges.

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

Proposed law significantly increases expenditures within the Office of Group Benefits (OGB). Proposed law requires genetic testing for cancer to include a biomarker test that is supported by medical and scientific evidence. 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
Low	\$1,093,965	\$1,114,750	\$1,135,930	\$1,157,513	\$1,179,506	\$ 5,681,664
High	\$2,187,931	\$2,229,502	\$2,271,863	\$2,315,028	\$2,359,014	\$11,363,338

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: The expenditure estimate is based upon the following assumptions: (1) As of 4/01/2022, the current OGB member population in the five self-funded health plans is 212,212. Excluding Medicare primary plan members, membership used for expenditure calculations is 165,674. Membership will remain constant. (2) The coverage will become effective on 7/01/2022. (3) No change in OGB self-funded health plan membership in future fiscal years from current levels. (4) The per member per month (PMPM) cost estimate provided by BCBSLA ranges from low of \$0.54 PMPM to high of \$1.08 PMPM for genetic testing required by this measure. (5) In future fiscal years, a medical inflation factor of 1.9%.

See EXPENDITURE EXPLANATION 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 coverage of a biomarker test to be included in genetic tests for cancer 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.

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}

Evan Brasseaux
Evan Brasseaux
Interim Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

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EXPENDITURE EXPLANATION Continued from Page 1

Based on the aforementioned methodology, the assumption that coverage will only be in place for 12 months in FY 23 due to the July 1, 2023 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.

Expenditure Calculations

FY 23 (Low) = \$1,093,965 = 165,674 members x \$0.54 PMPM x 12 months x 1.9% MI (\$437,586 SGF)

FY 23 (High) = \$2,187,931 = 165,674 members x \$1.08 PMPM x 12 months x 1.9% MI (\$875,172 SGF)

FY 24 (Low) = \$1,114,750 = \$1,093,965 x 1.9% MI (\$445,900 SGF)

FY 24 (High) = \$2,229,502 = \$2,187,931 x 1.9% MI (\$891,801 SGF)

FY 25 (Low) = \$1,135,930 = \$1,114,750 x 1.9% MI (\$454,372 SGF)

FY 25 (High) = \$2,271,863 = \$2,229,502 x 1.9% MI (\$908,745 SGF)

FY 26 (Low) = \$1,157,513 = \$1,135,930 x 1.9% MI (\$463,005 SGF)

FY 26 (High) = \$2,315,028 = \$2,271,863 x 1.9% MI (\$926,011 SGF)

FY 27 (Low) = \$1,179,506 = \$1,157,513 x 1.9% MI (\$471,802 SGF)

FY 27 (High) = \$2,359,014 = \$2,315,028 x 1.9% MI (\$943,606 SGF)

Total (Low) = \$ 5,681,664 (\$2,272,666 SGF)

Total (High) = \$11,363,338 (\$4,545,335 SGF)

Insurance Exchanges Impact (State General Fund Impact)

Proposed law does not mandate an additional benefit to plans issued on the insurance exchange; therefore, there is no impact on SGF expenditures as a result of this measure.

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 \$3.9 M - \$7.8 M and premium increases by \$4.6 M - \$9.2 M for private insurers and the insured in FY 23 with a phase-up costs of an estimated \$4.7 M -\$9.5 M claims and \$5.6 M - \$11.2 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 \$0.50 PMPM and \$1.00 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 \$0.50 PMPM x 12 months = \$3,900,000

FY 23 (High) - 650,000 x \$1.00 PMPM x 12 months = \$7,800,000

FY 24 (Low) - \$3,900,000 x 5% MI = \$4,095,000

FY 24 (High) - \$7,800,000 x 5% MI = \$8,190,000

FY 25 (Low) - \$4,095,000 x 5% MI = \$4,299,750

FY 25 (High) - \$8,190,000 x 5% MI = \$8,599,500

FY 26 (Low) - \$4,299,750 x 5% MI = \$4,514,738

FY 26 (High) - \$8,599,500 x 5% MI = \$9,029,475

FY 27 (Low) - \$4,514,738 x 5% MI = \$4,740,475

FY 27 (High) - \$9,029,475 x 5% MI = \$9,480,949

Aggregate Extra Premium Determination

(PMPM cost x 12 months)/medical loss ratio

FY 23 (Low) - (\$0.50 PMPM x 12 months)/85% = \$ 7.06

FY 23 (High) - (\$1.00 PMPM x 12 months)/85% = \$14.12

FY 24 (Low) - \$ 7.06 x 5% MI = \$7.41

FY 24 (High) - \$14.12 x 5% MI = \$14.82

FY 25 (Low) - \$ 7.41 x 5% MI = \$7.78

FY 25 (High) - \$14.82 x 5% MI = \$15.56

FY 26 (Low) - \$ 7.78 x 5% MI = \$8.17

FY 26 (High) - \$15.56 x 5% MI = \$16.34

FY 27 (Low) - \$ 8.17 x 5% MI = \$8.58

FY 27 (High) - \$16.34 x 5% MI = \$17.16

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	<u>Evan Brasseaux</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}	Evan Brasseaux
<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}	Interim Deputy Fiscal Officer