LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: June 3, 2022 8:38 AM
Author: JORDAN
Dept./Agy.: Dept of Insurance and Office of Group Benefits
Subject: Insulin Prescription Cost Sharing
Analyst: Patrice Thomas

INSURANCE/HEALTH EN +$16,474 SG EX See Note
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 $75 per prescription for a 30-day supply, regardless of the amount or type of insulin. On January 1st of each year, proposed law provides that the limit on the amount of insulin paid by the insured for a 30-day supply of insulin shall annually be increased based on the Consumer Price Index (CPI) prescription drug component. Proposed law requires a health coverage plan to include at least one insulin from each therapeutic class in the plan's formulary. The health plan's drug formulary comply with provision of proposed law. For any health coverage plan in effect prior to January 1, 2023, proposed law effective January 1, 2024.

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.	$16,474	$33,573	$34,211	$34,861	$35,523	**$154,642**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$16,474**	**$33,573**	**$34,211**	**$34,861**	**$35,523**	**$154,642**

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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

Proposed law will increase Self-Generated Revenue expenditures by $16,474 within the Office of Group Benefits (OGB) 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 $546,000 - $2.4 M and premiums by an estimated $643,500 - $2.8 M in FY 23 (see Expenditure Explanation on Page 2).

Office of Group Benefits Impact (Self-Generated Revenue Impact)
Proposed law increases expenditures within the Office of Group Benefits (OGB). Proposed law requires OGB to limit an enrollee/member cost-sharing amount to $75 for a 30-day prescription of insulin. Also, the proposed law requires OGB to limit its 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
$16,474	$33,573	$34,211	$34,861	$35,523	$154,642

*FY 22-23 represent 6 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 1/01/2023. (3) the annual cost estimates is based on data provided by OGB's pharmacy benefit manager from January 1, 2022 and March 26, 2022 claims with member cost share greater than $75 cap under the proposed law. No additional costs are associated with plan members reaching their $1,500 annual out-of-pocket maximum cost. (4) Assumes the $75 cap per 30-day applies to 60-day supply ($150 cap) and 90-day supply ($225 cap). (6) Assumes the number of claims to be filled annual for insulin products per each member is 4. (6) 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.

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

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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 6 months in FY 23 due to the January 1, 2023 effective date, four (4) insulin claims per year, 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.

	HB 677 Member Cap	Member Claims Over Cap	Average Member Cost per Claim	Difference Cap vs Claim
30 Day	$75	716	$84.63	$9.63
60 Day	$150	121	$159.82	$9.82
90 Day	$225	0	$0	$0

Expenditure Calculations
(Member Claims Over Cap x 4 Claims per Year x $9.63 Difference x 1.9% MI)

30-Day Supply
FY 23 = $28,104 = 716 x 4 x $9.63 x 1.9% MI ($11,242 SGF)
FY 24 = $28,638 = $28,104 x 1.9% MI ($11,455 SGF)
FY 25 = $29,182 = $28,638 x 1.9% MI ($11,673 SGF)
FY 26 = $29,736 = $29,182 x 1.9% MI ($11,894 SGF)
FY 27 = $30,201 = $29,736 x 1.9% MI ($12,120 SGF)
Sub-Total = $145,961 ($58,384 SGF) for 30-Day Supply

60-Day Supply
FY 23 = $4,753 = 121 x 4 x $9.82 x 1.9% MI ($1,937 SGF)
FY 24 = $4,935 = $4,753 x 1.9% MI ($1,974 SGF)
FY 25 = $5,029 = $4,935 x 1.9% MI ($2,012 SGF)
FY 26 = $5,125 = $5,029 x 1.9% MI ($2,050 SGF)
FY 27 = $5,222 = $5,125 x 1.9% MI ($2,089 SGF)
Sub-Total = $25,154 ($10,062 SGF) for 60-Day Supply

Total Costs
FY 23 = $32,947 ($28,104 for 30-Day + $4,753 for 60-Day)
FY 24 = $33,573 ($28,638 for 30-Day + $4,935 for 60-Day)
FY 25 = $34,211 ($29,182 for 30-Day + $5,029 for 60-Day)
FY 26 = $34,861 ($29,736 for 30-Day + $5,125 for 60-Day)
FY 27 = $35,523 ($30,301 for 30-Day + $5,222 for 60-Day)
Total = $171,115 ($145,961 for 30-Day + $25,154 for 60-Day)

Insurance Exchanges Impact (State General Fund Impact)

Proposed law does not mandate an additional benefit to plans issued on the insurance exchange and the $75 per 30-day prescription cap exceeds the cost of insulin prescription; 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 $546,000 - $2.4 M and premium increases by $643,500 - $2.8 M for private insurers and the insured in FY 23 with a phase-up costs of an estimated $663,666 - $2.9 M claims and $780,000 - $3.5 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 $0.07 PMPM and $0.31 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 $0.07 PMPM x 12 months = $546,000
FY 23 (High) - 650,000 x $0.31 PMPM x 12 months = $2,418,000

FY 24 (Low) - $ 546,000 x 5% MI = $ 573,300
FY 24 (High) - $2,418,000 x 5% MI = $2,538,900

FY 25 (Low) - $ 573,300 x 5% MI = $ 601,965
FY 25 (High) - $2,538,900 x 5% MI = $2,665,845

FY 26 (Low) - $ 601,965 x 5% MI = $ 632,063
FY 26 (High) - $2,665,845 x 5% MI = $2,799,137

FY 27 (Low) - $ 632,063 x 5% MI = $ 663,666
FY 27 (High) - $2,799,137 x 5% MI = $2,939,094

Aggregate Extra Premium Determination
(PMPM cost x 12 months)/medical loss ratio
FY 23 (Low) - ($0.07 PMPM x 12 months)/85% = $0.99
FY 23 (High) - ($0.31 PMPM x 12 months)/85% = $4.38

FY 24 (Low) - $0.99 x 5% MI = $1.04
FY 24 (High) - $4.38 x 5% MI = $4.60

FY 25 (Low) - $1.04 x 5% MI = $1.09
FY 25 (High) - $4.60 x 5% MI = $4.83

FY 26 (Low) - $1.09 x 5% MI = $1.14
FY 26 (High) - $4.83 x 5% MI = $5.07

FY 27 (Low) - $1.14 x 5% MI = $1.20
FY 27 (High) - $5.07 x 5% MI = $5.32

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