



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 394** SLS 22RS 623
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|--|--------------------------------|
| Date: June 6, 2022 8:52 AM | Author: BERNARD |
| Dept./Agy.: Office of Group Benefits and Dept. of Insurance | Analyst: Patrice Thomas |
| Subject: Cover of FDA Approved Drugs | |

INSURANCE POLICIES EN INCREASE SG EX See Note Page 1 of 2

Requires coverage for drugs under certain conditions and the drug is approved by the United States Food and Drug Administration. (1/1/23)

Proposed law prohibits a health benefit plan delivered or issued for delivery from limiting or excluding coverage of a drug approved by the United States Food and Drug Administration (FDA) for a minor based on if the drug was prescribed for a use different from what the drug was approved for by the FDA. Proposed law makes the health care provider responsible for submitting documentation to support compliance with the proposed law if requested by the health insurance insurer. Proposed law provides the health coverage plan is not required to provide coverage for all of the following: (1) treatment for a condition or disease is excluded under the terms of the health coverage plan; (2) experimental drugs not approved by the FDA; and (3) drug is not listed on the health coverage plan formulary or preferred drug list. Proposed law provides that coverage can be subject to annual deductibles, coinsurance, copayment provisions, and prior authorization. Proposed law effective January 1, 2023.

| EXPENDITURES | <u>2022-23</u> | <u>2023-24</u> | <u>2024-25</u> | <u>2025-26</u> | <u>2026-27</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| 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 | <u>2022-23</u> | <u>2023-24</u> | <u>2024-25</u> | <u>2025-26</u> | <u>2026-27</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| 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 \$1.6 M - \$2.7 M and premiums by an estimated \$1.8 M - \$3.2 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). If certain conditions apply and are medically necessary, the proposed law prohibits health plans, including OGB, from limiting or excluding coverage of a pharmacy drug approved by the United States Food and Drug Administration (FDA) for a minor based on if the drug was prescribed for a use different from what the drug was approved for by the FDA. 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 | \$202,586 | \$412,870 | \$420,715 | \$428,709 | \$436,854 | \$2,104,320 |
| High | \$354,526 | \$722,524 | \$736,252 | \$750,241 | \$764,496 | \$3,682,565 |

*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 March 2022, the OGB Fund Balance was \$369 M.

The expenditure estimate is based upon the following assumptions: The expenditure estimate is based on 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 1/01/2023. (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 a low of \$0.20 PMPM to a high of \$0.35 PMPM as a result of not limiting or excluding coverage of a pharmacy drug approved by the FDA under 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 not limiting or excluding coverage of pharmacy drugs approved by the FDA 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.

| | |
|---|---|
| <p><u>Senate</u></p> <p><input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p> | <p><u>House</u></p> <p><input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
|---|---|

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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 January 1, 2023, the effective date, and 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) = \$405,172 = 165,674 members x \$0.20 PMPM x 12 months x 1.9% MI (\$162,069 SGF)
FY 23 (High) = \$709,052 = 165,674 members x \$0.35 PMPM x 12 months x 1.9% MI (\$283,621 SGF)

FY 24 (Low) = \$412,870 = \$405,172 x 1.9% MI (\$165,148 SGF)
FY 24 (High) = \$722,524 = \$709,052 x 1.9% MI (\$289,010 SGF)

FY 25 (Low) = \$420,715 = \$412,870 x 1.9% MI (\$168,286 SGF)
FY 25 (High) = \$736,252 = \$722,524 x 1.9% MI (\$294,501 SGF)

FY 26 (Low) = \$428,709 = \$420,715 x 1.9% MI (\$171,484 SGF)
FY 26 (High) = \$750,241 = \$736,252 x 1.9% MI (\$300,096 SGF)

FY 27 (Low) = \$436,854 = \$428,709 x 1.9% MI (\$174,742 SGF)
FY 27 (High) = \$764,496 = \$750,241 x 1.9% MI (\$305,798 SGF)

Total (Low) = \$2,104,320 (\$ 841,728 SGF)
Total (High) = \$3,682,565 (\$1,473,026 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 the proposed law. Based upon an actuarial analysis prepared by LDI, the proposed law is anticipated to increase expenditures associated with claims by \$1.6 M - \$2.7 M and premium increases by \$1.8 M - \$3.2 M for private insurers and the insured in FY 23 with phase-up costs of an estimated \$1.8 M - \$3.2 M claims and \$2.2 M - \$3.9 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 \$0.20 PMPM and \$0.35 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 \$0.20 PMPM x 12 months = \$1,560,000
FY 23 (High) - 650,000 x \$0.35 PMPM x 12 months = \$2,730,000

FY 24 (Low) - \$1,560,000 x 5% MI = \$1,638,000
FY 24 (High) - \$2,730,000 x 5% MI = \$2,866,500

FY 25 (Low) - \$1,638,000 x 5% MI = \$1,719,900
FY 25 (High) - \$2,866,500 x 5% MI = \$3,009,825

FY 26 (Low) - \$1,719,900 x 5% MI = \$1,805,895
FY 26 (High) - \$3,009,825 x 5% MI = \$3,160,316

FY 27 (Low) - \$1,805,895 x 5% MI = \$1,896,190
FY 27 (High) - \$3,160,316 x 5% MI = \$3,318,332

Aggregate Extra Premium Determination

(PMPM cost x 12 months)/medical loss ratio
FY 23 (Low) - (\$0.20 PMPM x 12 months)/85% = \$2.82
FY 23 (High) - (\$0.35 PMPM x 12 months)/85% = \$4.94

FY 24 (Low) - \$2.82 x 5% MI = \$2.96
FY 24 (High) - \$4.94 x 5% MI = \$5.19

FY 25 (Low) - \$2.96 x 5% MI = \$3.11
FY 25 (High) - \$5.19 x 5% MI = \$5.45

FY 26 (Low) - \$3.11 x 5% MI = \$3.27
FY 26 (High) - \$5.45 x 5% MI = \$5.72

FY 27 (Low) - \$3.27 x 5% MI = \$3.43
FY 27 (High) - \$5.72 x 5% MI = \$6.01

Senate Dual Referral Rules
[X] 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
[] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
[X] 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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