

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 164** SLS 23RS 378
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ HSE COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 1, 2023 2:31 PM **Author:** CLOUD
Dept./Agy.: Office of Group Benefits **Analyst:** Patrice Thomas
Subject: Public Notice of Prior Authorization

GROUP BENEFITS PROGRAM RE1 INCREASE SG EX See Note Page 1 of 2
 Provides relative to prior authorization for services, procedures, and pharmaceuticals. (gov sig)

Under present law, the Office of Group Benefits (OGB) shall require its health plans to furnish in writing or provide electronically, within one business day of a written or oral request by a healthcare provider, the medical criteria and any other requirements that must be satisfied in order for the service, procedure, or drug to be prior authorized by the health plan. Proposed law repeals present law and instead requires that OGB maintain and publish on a publicly accessible website a list of healthcare services, procedures, and pharmaceuticals subject to prior authorization. If the prior authorization is not on the list, proposed law prohibits a health plan from requiring prior authorization. If a health plan fails to communicate a prior authorization decision in the timeframe listed on the website, proposed law provides that prior authorization is no longer required as a condition of payment. Proposed law requires OGB to report annually on prior authorization statistics to the Senate Finance Committee and the House Appropriations Committee. Proposed law is effective when an Act of the LA Legislature containing a specific appropriation of monies for implementation becomes effective.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	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	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

Proposed law will increase Self-Generated Revenue expenditures within the Office of Group Benefits (OGB) beginning in January 1, 2024 (FY 24) as a result of increased claim expenditures. The proposed law requires OGB to publish and maintain a publicly available website that lists healthcare services, procedures, or pharmaceuticals subject to prior authorization, step therapy, or fail first protocols, along with the corresponding requirements or criteria satisfying the prior authorization, for every health plan offered through the office. Proposed law rescinds prior authorization requirements under certain circumstances.

Claim Expenditures (Medical and Pharmacy)

Proposed law increases expenditures within the Office of Group Benefits (OGB). OGB reports the proposed law will increase claims expenditures as the result of previously denied medical or pharmaceutical benefits being covered under this measure due to the agency or its vendor's failure to timely post prior authorization, step therapy, or fail first protocols and/or updates on its website, or to the extent a prior authorization decision is not communicated within prescribed timelines. Based upon the assumptions listed below, the expenditures to cover this benefit range are as follows:

	FY 23-24*	FY 24-25	FY 25-26	FY 26-27	FY 27-28	Total
Low	\$15,009,040	\$31,218,804	\$32,467,556	\$33,766,258	\$35,116,909	\$147,578,567
High	\$16,563,878	\$34,452,865	\$35,830,980	\$37,264,219	\$38,754,788	\$162,866,730

*FY 23-24 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 41%. As of February 2023, OGB reports a \$434 M fund balance.

The expenditure estimate is based upon the following assumptions: (1) As of 5/01/2023, the current OGB member population in the five self-funded health plans is 165,015 (excluding 43,515 Medicare primary members, total members of 208,530). Membership will remain constant. (2) The coverage will become effective on 1/01/2024. (3) No change in OGB self-funded health plan membership in future fiscal years from current levels. (4) Medical Claims - PMPM cost estimate provided by BCBSLA range from \$0.25 pmpm (low) or \$1.76 pmpm (high). (5) Pharmacy Claims - \$28,368,494 based on repricing. (6) In future fiscal years, a medical inflation factor of 4%.

See EXPENDITURE EXPLANATION on Page 2

REVENUE EXPLANATION

Proposed law may result in an indeterminable impact on SGR collected from premiums within the Office of Group Benefits (OGB) as a result of previously denied medical or pharmaceutical benefits being covered under this measure. 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 modify premiums in order to maintain an actuarially sound fund balance of \$250 M. As of February 2023, the OGB fund balance was \$434 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
Evan Brasseaux
 Interim Deputy Fiscal Officer



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: SB 164 SLS 23RS 378
Bill Text Version: REENGROSSED
Opp. Chamb. Action: w/ HSE COMM AMD
Proposed Amd.:
Sub. Bill For.:

Table with metadata: Date: June 1, 2023 2:31 PM; Author: CLOUD; Dept./Agy.: Office of Group Benefits; Subject: Public Notice of Prior Authorization; Analyst: Patrice Thomas

CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION Continued from Page 1

Claims Expenditures, continued

Based on the aforementioned methodology on page one, the assumption that coverage will only be in place for 6 months in FY 24 due to the January 1, 2024 effective date, the per member per month (PMPM) cost estimates range from a low of \$0.25 pmpm to a high of \$1.76 pmpm for medical claims expenditures, \$28,368,494 for pharmacy claims expenditures, and a medical inflation (MI) factor of 4% compounding annually, below are expenditure calculations utilized to project the cost within OGB utilizing the assumptions listed on page one.

Claims Expenditures Calculations

Expenditure Calculations = Medical Claims (membership population x PMPM cost x 12 months) + Pharmacy Claims (\$28,368,494)

Base Cost (Low) = \$28,863,539 = (165,015 x \$0.25 x 12 months) + \$28,368,494
Base Cost (High) = \$31,853,611 = (165,015 x \$1.76 x 12 months) + \$28,368,494

FY 24 (Low) = \$30,018,081 = \$28,863,539 x 4% MI (\$12,381,829 SGF)
FY 24 (High) = \$33,127,755 = \$31,853,611 x 4% MI (\$13,664,505 SGF)
FY 25 (Low) = \$31,218,804 = \$30,018,081 x 4% MI (\$12,877,102 SGF)
FY 25 (High) = \$34,452,865 = \$33,127,755 x 4% MI (\$14,211,085 SGF)
FY 26 (Low) = \$32,467,556 = \$31,218,804 x 4% MI (\$13,392,186 SGF)
FY 26 (High) = \$35,830,980 = \$34,452,865 x 4% MI (\$14,779,528 SGF)
FY 27 (Low) = \$33,766,258 = \$32,467,556 x 4% MI (\$13,927,874 SGF)
FY 27 (High) = \$37,264,219 = \$35,830,980 x 4% MI (\$15,370,709 SGF)
FY 28 (Low) = \$35,116,909 = \$33,766,258 x 4% MI (\$14,484,989 SGF)
FY 28 (High) = \$38,754,788 = \$37,264,219 x 4% MI (\$15,985,538 SGF)

Total (Low)* = \$162,587,607 (\$67,063,980 SGF)

Total (High)* = \$179,430,607 (\$74,011,365 SGF)

*The Total does not include the Base Costs.

Administrative and Staffing

OGB anticipates that increased administrative and staffing expenditures are necessary to implement this measure. Under the proposed law, OGB will have to continually monitor and ensure all OGB health plans provide all prior authorization information and changes for publication on a publicly available website. OGB has indicated increased costs associated with additional work by the Office of Technology Services (OTS) to publish and continually updated the list on its website. Also, OGB has indicated they would likely hire a Group Benefits Analyst position at a cost of approximately \$120,181 (\$71,362 salary and \$48,819 related benefits). The Legislative Fiscal Office (LFO) assumes the agency can utilize existing resources and budget authority. To the extent that the agency cannot, OGB would require additional budget authority, presumed to be SGR derived from increased plan premiums.

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}

Evan Brasseaux
Evan Brasseaux
Interim Deputy Fiscal Officer