LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 106** SLS 24RS 330
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:
Proposed Amd.: **w/ PROP HSE COMM AMD**
Sub. Bill For.:

Date: May 6, 2024 5:20 PM
Author: BARROW
Dept./Agy.: Insurance
Subject: Mandates Coverage for Severe Obesity Treatment
Analyst: Patrice Thomas

HEALTH CARE RE SEE FISC NOTE

Provides relative to obesity treatment. (8/1/24)

Proposed House Committee amendment requires the LA Department of Insurance (LDI) to evaluate bariatric surgery and other pre-operative period services for coverage by the essential health benefit (EHB) benchmark plan during its review of the EHB benchmark plan. Proposed House Committee amendment requires all health insurance issuers to provide coverage for certain severe obesity treatments if and when LDI adds bariatric surgery and other pre-operative period services for coverage by the EHB benchmark plan. Proposed law requires the covered insured to be at least 18 years of age to be eligible for bariatric surgery coverage, and an issuer may request a covered person complete a pre-operative period before bariatric surgery. Proposed law provides an issuer may restrict services for bariatric surgery to certain facilities, and may require prior authorization for bariatric surgery. Proposed law provides this coverage does not apply to injectable drugs to lower glucose levels or any other prescribed weight loss drugs. Proposed law provides coverage for bariatric surgery may be limited to once per lifetime. Proposed law requires the prescribing physician to issue a written order verifying certain information and provides for definitions. Proposed law is effective 1/01/2025, (new plans) and 1/01/2026, (existing plans).

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	$0	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**$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**

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	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 House Committee amendment subjects the implementation of the proposed law by health insurance issuers if and when bariatric surgery and other pre-operative period services are considered an essential health benefit (EHB). Under the proposed House Committee amendment, the LA Department of Insurance (LDI) shall evaluate bariatric surgery and other pre-operative period services for coverage by the EHB benchmark plan during its review of the existing EHB benchmark plan for the 2026 plan year (1/01/2026). Any state benefit mandate, through legislative or regulatory action, that exceeds what is considered an EHB would subject the state to defrayal costs in accordance with the Affordable Care Act (ACA). Starting on January 1, 2026, under new Federal regulations, states have limited authority to avoid defrayal costs in certain circumstances. **To the extent that LDI adds bariatric surgery and its pre-operative period services to the EHB benchmark plan, the proposed law would not result in defrayal costs as required under ACA and shall be implemented by health insurance issuers.**

Insurance Exchanges Impact (State General Fund Defrayal Impact)

The proposed law may result in a minimal increase in claims expenditures in the health insurance exchange (individual market) beginning in FY 26 and subsequent fiscal years according to an analysis provided by the LDI health actuary. Once added to the EHB benchmark plan, the proposed law would not result in any state defrayal costs under ACA. The proposed law is estimated to increase claims costs by approximately $752,000 to $1.9 M and a potential phase-up of $1.7 M to $4.3 M by FY 29.

LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 200,000 and the insured population is assumed to be stationary; medical cost inflation (MI) is 8% in FY 26, then 5% in subsequent years; the premium loss ratio is 85%; and the estimated cost for genetic testing is between $0.58 PMPM (low) and $1.44 PMPM (high) on an average $650 monthly premium over the entire insured population based on research and analysis.

See EXPENDITURE EXPLANATION on page 2

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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}

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION continued from page 1

Aggregate Cost Determination*
Aggregate cost = exchange population x PMPM cost x 12 months

Base Year (Low) - 200,000 x $0.58 PMPM x 12 months = $1,392,000
Base Year (High) - 200,000 x $1.44 PMPM x 12 months = $3,456,000

FY 26 (Low) - $1,392,000 x 8% MI = $1,503,360 ($ 751,680 for 6 months)
FY 26 (High) - $3,456,000 x 8% MI = $3,732,480 ($1,866,240 for 6 months)

FY 27 (Low) - $1,503,360 x 5% MI = $1,578,530
FY 27 (High) - $3,732,480 x 5% MI = $3,919,100

FY 28 (Low) - $1,578,530 x 5% MI = $1,657,460
FY 28 (High) - $3,919,100 x 5% MI = $4,115,060

FY 29 (Low) - $1,657,460 x 5% MI = $1,740,330
FY 29 (High) - $4,115,060 x 5% MI = $4,320,810

*Estimated claims expenditures and premium increases are rounded to the nearest thousand.

PRIVATE INSURANCE IMPACT
Pursuant to R.S. 24:603.1, the information below is the projected impact of the proposed law on the private insurance market. Based upon an actuarial analysis prepared by LDI, the proposed law is anticipated to increase expenditures associated with claims by $5.1 M - $12.6 M and premium increases by $6 M - $14.8 M for private insurers and the insured in FY 26 with phase-up costs of an estimated $5.9 M - $14.6 M claims and $6.9 M - $17.1 M premiums by FY 29. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 675,000 (including 200,000 population in health exchanges) and the insured population is assumed to be stationary, entries equal exits; medical cost inflation (MI) is 8% in FY 26, then 5% in subsequent years; the premium loss ratio is 85%; and the **estimated cost is between $0.58 PMPM and $1.44 PMPM over the entire insured population, which represents an annual premium increase between 0.09% (low) to 0.22% (high) on an average monthly premium/PMPM of $650**. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

Aggregate Cost Determination*
(insured population x PMPM cost x 12 months x MI)

Base (Low) - 675,000 x $0.58 x 12 months = $ 4,698,000
Base (High) - 675,000 x $1.44 x 12 months = $11,664,000

FY 26 (Low) - $ 4,698,000 x 8% MI = $ 5,073,840
FY 26 (High) - $11,664,000 x 8% MI = $12,597,120

FY 27 (Low) - $ 5,073,840 x 5% MI = $ 5,327,530
FY 27 (High) - $12,597,120 x 5% MI = $13,226,980

FY 28 (Low) - $ 5,327,530 x 5% MI = $ 5,593,910
FY 28 (High) - $13,226,980 x 5% MI = $13,888,330

FY 29 (Low) - $ 5,593,910 x 5% MI = $ 5,873,606
FY 29 (High) - $13,888,330 x 5% MI = $14,582,747

Aggregate Extra Premium Determination
(PMPM cost x 12 months)/medical loss ratio x MI

Base (Low) - ($0.58 x 12 months)/85% = $ 8.20
Base (High) - ($1.44 x 12 months)/85% = $20.30

FY 26 (Low) - $ 8.20 x 8% MI = $ 8.90
FY 26 (High) - $20.30 x 8% MI = $21.90

FY 27 (Low) - $ 8.90 x 5% MI = $ 9.30
FY 27 (High) - $21.90 x 5% MI = $23.00

FY 28 (Low) - $ 9.30 x 5% MI = $ 9.80
FY 28 (High) - $23.00 x 5% MI = $24.20

FY 29 (Low) - $ 9.80 x 5% MI = $10.30
FY 29 (High) - $24.20 x 5% MI = $25.40

*Estimated claims expenditures are rounded to the nearest thousand.

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☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
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