

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 689** HLS 18RS 576
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE FLOOR AMD**
 Sub. Bill For.: **REVISED**

Date: May 7, 2018 7:51 AM	Author: STOKES
Dept./Agy.: Office of Group Benefits/LA Dept. of Insurance	Analyst: Zachary Rau
Subject: Insurance Coverage for Fertility Preservation	

INSURANCE/HEALTH EG INCREASE GF EX See Note Page 1 of 2
 Provides for coverage for fertility preservation for individuals diagnosed with cancer

Proposed law requires any health coverage plan delivered or issued in this state to include coverage for oocyte, and sperm cryopreservation procedures for insured persons that have been diagnosed with cancer but has not started cancer treatment. Proposed law requires coverage to include expenses for certain procedures associated with cryopreservation, but not costs for initial or annual storage of specimens. Proposed law authorizes health coverage plans to limit coverage to an individual's 40th birthday; for females to a lifetime benefit of one procedure for oocyte cryopreservation; for males one lifetime benefit of one sperm cryopreservation procedure. Proposed law exempts health coverage plans without cryopreservation coverage upon written request based upon one's moral or religious beliefs. Proposed law requires policies issued without cryopreservation coverage to include a notice to the insured that the coverage is excluded. Proposed law defines "health coverage plan" and "religious employer." Proposed law applies to new coverage issued on or after January 1, 2020, and must be implemented for existing coverage no later than the same date.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$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>	\$0
Annual Total	\$0					\$0

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$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>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

Proposed law will increase expenditures assumed to be SGF for the LA Dept. of Insurance (LDI) by an estimated \$76,000-\$104,000 and SGR expenditures for the Office of Group Benefits (OGB) by an estimated \$651,565 in FY 20. The proposed legislation extends coverage for fertility preservation to individuals aged 40 and younger diagnosed with cancer. According to information provided by LDI, the department would be required to fund expenditures associated with proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 20 with estimated costs totaling approximately \$76,000-\$104,000 with a phase-up of costs to approximately \$176,000-\$241,000 by FY 23. Furthermore, OGB anticipates a FY 20 estimated increase totaling approximately \$651,565 with a phase-up to approximately \$1.44 M by FY 23 (see departmental narratives below). Lastly, a note on proposed law's impact on the private insurance market is included.

LA Dept. of Insurance

Proposed law is anticipated to increase expenditures for LDI in FY 20 by \$76,000-\$104,000 and the department further reports anticipating a need for an SGF appropriation to fund these expenditures.

Based upon an actuarial analysis provided by LDI, the department anticipates that proposed law will increase per member per month (PMPM) costs for the overall insurance market (approximately 3.6 M persons) by \$0.11-\$0.15 based upon a utilization range of 15%-20%. Of the 3.6 M covered persons, LDI reports that it is responsible for funding expenditures associated with proposed law for Louisiana's population enrolled through the health care exchanges, approximately 110,000 persons based upon 2018 enrollment. LDI further assumes 5% medical inflation and an 85% medical loss ratio annually. Utilizing the \$0.11-\$0.15 PMPM range, to the extent enrollment in FY 20 remains in line with historical figures, LDI's expenditures would range between \$76,000-\$104,000 in FY 20 based upon a base aggregate cost of \$145,000-\$198,000. Expenditures associated with proposed law in FY 20 are prorated for half of the fiscal year due to proposed law's effective date of January 1, 2020. As a result, LDI only anticipates realizing an expenditure effect for half of FY 20. Furthermore, LDI anticipates requiring a SGF appropriation for this purpose in FY 20 and in subsequent fiscal years.

Based upon the aforementioned factors, anticipated costs for FY 20 and subsequent fiscal years are as follows: FY 21 - \$160,000-\$218,000; FY 22 - \$168,000-\$229,000; FY 23 - \$176,000-\$241,000.

(Expenditure Explanation cont. on Page 2)

REVENUE EXPLANATION

The Office of Group Benefits reports that additional costs associated with proposed law will not require premium increases, and therefore will not affect SGR collections. Furthermore, the OGB reports that projected costs for the proposed legislation would be covered by its fund balance of approximately \$231.9 M. However, while proposed law may not necessitate premium increases for the Office of Group Benefits, to the extent numerous pieces of legislation are enacted that increase the overall costs of the OGB program, the OGB may be required to increase premiums to fund ongoing costs of the program and maintain an actuarially sound fund balance.

<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}

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Staff Director

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CONTINUED EXPLANATION from page one:

Office of Group Benefits

OGB's cost estimates are based on the following assumptions: cancer incidence rates reported by the Centers for Disease Control (CDC) totaling 324.2 for every 100,000 females (.44%) and 435.3 for every 100,000 males (.32%); enrollee population for persons aged 18 to 40 in the OGB self-funded plans will remain static (29,857 females, 21,789 males); reported high-end costs for the services covered by proposed law will be utilized (\$500 per patient for sperm cryopreservation, \$12,100 for oocyte cryopreservation and associated medications); 100% utilization by enrollees eligible for the new service; no reduction in claims costs resulting from out-of-pocket payments (copays, coinsurance, deductibles, etc.) by enrollees; coverage will be limited to a single lifetime benefit for enrollees up to age 40; and a medical inflation factor of 3.3% annually.

Based upon the aforementioned assumptions, it is assumed that approximately 97 women (.32% * 29,857) and 95 men (.44% * 21,789) would be eligible for and elect to receive fertility preservation coverage through OGB plans. To the extent this occurs, the maximum aggregate expenditures for OGB would increase by an estimated \$1.30 M in FY 20. However, due to the effective date of January 1, 2020, OGB would only realize an impact associated with proposed law for the second half of FY 20 totaling approximately \$651,565. Furthermore, adding 3.3% growth for medical inflation would increase these costs in subsequent fiscal years. An estimate of annual costs for OGB based upon FY 20 costs and annual medical inflation is outlined below.

FY 20 - \$651,565 (prorated to reflect implementation for only half of FY 20)
FY 21 - \$1,346,132
FY 22 - \$1,390,555
FY 23 - \$1,436,443

To the extent utilization of these services is in line with the 15%-20% range reported by LDI, OGB's costs may be significantly lower than the maximum aggregate expenditures reflected above in a given year. Outlined below are potential expenditure ranges for OGB based upon LDI's anticipated utilization ranges. Furthermore, the Legislative Fiscal Office is awaiting further information from OGB and is currently researching utilization rates in other states. However, it must be noted that overall expenditures are dependent upon utilization and claims for these services and are ultimately indeterminable.

FY 20 - \$97,735 (15%) - \$130,303 (20%) (prorated to reflect implementation for only half of FY 20)
FY 21 - \$201,920 - \$269,226
FY 22 - \$208,583 - \$278,111
FY 23 - \$215,466 - \$287,289

Note: staff at OGB report that allowing persons younger than 18 years may increase these estimates by a marginal amount to the extent such persons are able to utilize the benefit for fertility preservation.

Private Insurance Impact

Pursuant to LA R.S. 24:603.1, the following is the projected private insurance impact of the proposed legislation. Based upon an actuarial analysis prepared by LDI, proposed law is anticipated to increase expenditures associated with claims (\$2.45 M - \$3.3 M) and premium increases (\$2.85 M - \$3.9 M) for the private insurers and the insured in FY 20 with a phase-up to an estimated \$5.6 M - \$7.7 M for claims and an estimated \$6.6 M - \$9.0 M for premiums by FY 23. LDI bases this analysis on the following assumptions: this cost determination applies to all Louisiana policies (group, individual, self-insured, OGB, and Medicaid); the cost is for the extraction process only; the calculations apply on a fiscal year basis; Louisiana's insured population under age 65 totals 3.5 M (an estimate of 2 lives per policy, with approximately 1.75 M policies); a PMPM totaling \$0.11-\$0.15; coverage being in effect for only half of FY 20; medical cost inflation of 5% annually; an 85% loss ratio (LR); annual premiums for multiple life coverage totaling \$15,000.

Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

FY 20 - \$2.45 M - \$3.3 M (3.5 M members * \$0.11 PMPM * 6 months) - \$3.2 M (3.5 M members * \$0.15 PMPM * 6 months)
FY 21 - \$5.1 M - \$6.9 M (3.5 M members * \$0.11 PMPM * 12 * 1.05 inflation) - \$6.6 M (3.5 M members * \$0.15 PMPM*12*1.05 inflation)
FY 22 - \$5.3 M - \$7.2 M
FY 23 - \$5.6 M - \$7.7 M

Based upon the aforementioned assumptions, the estimated annual cost increases for the insured associated with premiums are as follows:

FY 20 - \$5.7 M (3.5 M members * \$0.11 PMPM * 6 months / .85 LR) - \$3.7 M (3.5 M members * \$0.15 PMPM * 6 months / .85 LR)
FY 21 - \$6.0 M - \$8.2 M (3.5 M members * \$0.11 PMPM*12*1.05 inflation/.85) - \$7.8 M (3.5 M members*\$0.15 PMPM*12*1.05 inflation / .85)
FY 22 - \$6.3 M - \$8.6 M
FY 23 - \$6.6 M - \$9.0 M

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House
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