

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 152** HLS 20RS 603
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 12, 2020 6:44 PM	Author: BROWN, CHAD
Dept./Agy.: LA Dept. of Insurance/Office of Group Benefits	Analyst: Zachary Rau
Subject: Health Insurance Coverage for Acupuncture	

INSURANCE/HEALTH OR INCREASE GF EX See Note Page 1 of 2
 Provides for insurance coverage for acupuncture

Proposed law requires health coverage plans delivered or issued in Louisiana to provide coverage for acupuncture performed by licensed acupuncturists. Proposed law prohibits discriminatory terminology in policies or contracts, including but not limited to the manner of payment or reimbursement under the policy. Proposed law provides that acupuncture coverage may be subject to annual deductibles, coinsurance, and copayment provisions consistent with those established under a health coverage plan. Proposed law provides that all policies must comply with proposed law no later than January 1, 2021.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
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	2020-21	2021-22	2022-23	2023-24	2024-25	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	<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 increase State General Fund expenditures associated with a mandate to health insurance policies issued under the insurance exchanges and Self-Generated Revenue expenditures for the Office of Group Benefits (OGB) by an indeterminable amount beginning in FY 21 and in subsequent fiscal years (see narratives below). Furthermore, proposed law will increase claims expenditures for the health insurance industry by an estimated \$1 M - \$2 M and premiums by an estimated \$1.1 M - \$2.3 M in FY 21 (see narrative on Page 2).

Insurance Exchanges Impact (State General Fund Impact)

Proposed law will increase SGF expenditures for the state beginning in FY 21 and in subsequent fiscal years according to an analysis provided by the LA Dept. of Insurance. The state would be required to fund health claims 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 \$150,000 to \$300,000 SGF and a phase-up of costs to approximately \$365,000-\$729,000 SGF by FY 25. Claims expenses associated with proposed law would be paid out by the LA Dept. of Treasury. LDI bases this analysis on the following assumptions: the calculations apply on a fiscal year basis; an exchange population of 100,000; a stationary insured population; a PMPM totaling \$0.25-\$0.50 based on a study by Blue Cross Blue Shield LA as reported by LDI; coverage being in effect for only half of FY 21; and medical cost inflation of 5% annually. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

FY 21 - \$150,000 (100K members * \$0.25 PMPM * 6 months) - \$300,000 (100K members * \$0.50 PMPM * 6 months)
 FY 22 - \$315,000 (100K members * \$0.25 PMPM * 12 * 1.05 inflation) - \$630,000 (100K members * \$0.50 PMPM * 12 * 1.05 inflation)
 FY 23 - \$331,100 - \$662,000
 FY 24 - \$347,000 - \$695,000
 FY 25 - \$365,000 - \$729,000

Office of Group Benefits Impact (Self-Generated Revenue Impact)

Proposed law will increase SGR expenditures for claims by an indeterminable amount for the Office of Group Benefits (OGB) in FY 21 and in subsequent fiscal years. To determine the impact of proposed law, OGB utilized data from a 2007 report on acupuncture utilization among adults. This article reported a utilization rate of 7.92% among adults (79.2 persons per 1,000 surveyed) with an average per-visit cost of \$103.33. OGB applied a 39% medical inflation factor to the average per-visit cost to account for cost growth from 2007-20, yielding an average per-visit cost of \$145.90 (141.6% * \$103.33).

REVENUE EXPLANATION

The Office of Group Benefits does not anticipate that additional costs associated with proposed law will require premium increases, and therefore will not affect SGR premium collections. Furthermore, the OGB reports that projected costs for the proposed legislation would be covered by its fund balance of approximately \$262.9 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 program costs and maintain an actuarially sound fund balance of \$200 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}

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Staff Director

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CONTINUED EXPLANATION from page one:

(Expenditure Explanation cont. from Pg. 1) OGB's cost projections associated with proposed law are as follows and are based on the following assumptions: calculations apply on a fiscal year basis; a stationary insured population of 217,710; estimated annual visits totaling 17,242 (7.92% utilization rate * 217,710 enrollees); coverage being in effect for only half of FY 21; medical cost inflation of 1.9% annually; no reductions in claims costs to OGB due to member out-of-pocket costs; no reduction in claims to OGB due to discounted rates negotiated by health care provider network administrators. Based upon the aforementioned assumptions, the estimated annual expenditure increases for OGB associated with claims are as follows:

- FY 21 - \$1.23 M (17,242 visits * \$145.90 average per visit cost * 0.5)
- FY 22 - \$2.54 M (17,242 visits * \$145.90 average per visit cost * 0.5) + (17,242 visits * \$145.90 average per visit cost * 1.019 * 0.5)
- FY 23 - \$2.59 M
- FY 24 - \$2.64 M
- FY 25 - \$2.67 M

In addition, based on the median cost per visit adjusted for inflation as determined by the 2007 survey, OGB's costs would be as follows:

- FY 21 - \$590,000
- FY 22 - \$1.19 M
- FY 23 - \$1.21 M
- FY 24 - \$1.24 M
- FY 25 - \$1.26 M

Furthermore, OGB does not anticipate expenditures associated with proposed law to necessitate premium increases for members, and any additional expenditures will be funded by its fund balance (see Revenue Explanation).

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 (\$850,000- \$1.7 M) and premium increases (\$1.1 M - \$2.3 M) for private insurers and the insured in FY 20 with a phase-up to an estimated \$2.04 M - \$3.97 M for claims and an estimated \$2.8 M - \$5.6 M for premiums by FY 24. LDI bases this analysis on the following assumptions: the calculations apply on a fiscal year basis; a total insured population of 650,000; a stationary insured population; a PMPM totaling \$0.25-\$0.50; coverage being in effect for only half of FY 21; medical cost inflation of 5% annually; an 85% loss ratio (LR); Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

- FY 21 - \$1 M (650K members * \$0.25 PMPM * 6 months) - \$2.0 M (650K members * \$0.50 PMPM * 6 months)
- FY 22 - \$2 M (650K members * \$0.25 PMPM * 12 * 1.05 inflation) - \$4.1 M (650K members * \$0.50 PMPM * 12 * 1.05 inflation)
- FY 23 - \$2.1 M - \$4.3 M
- FY 24 - \$2.3 M - \$4.5 M
- FY 25 - \$2.4 M - \$4.7 M

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

- FY 21 - \$1.1 M (650K members * \$0.25 PMPM * 6 months / .85 LR) - \$2.3 M (650K members * \$0.50 PMPM * 6 months / .85 LR)
- FY 22 - \$2.4 M (650K members * \$0.25 PMPM * 12 / .85 LR) - \$4.8 M (650K members * \$0.50 PMPM * 12 / .85 LR)
- FY 23 - \$2.5 M - \$5.1 M
- FY 24 - \$2.7 M - \$5.3 M
- FY 25 - \$2.8 M - \$5.6 M

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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}

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