

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 61** HLS 201ES 167  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.: **w/ PROP HSE COMM AMD**  
 Sub. Bill For.:

<b>Date:</b> June 18, 2020 9:13 AM	<b>Author:</b> FRIEMAN
<b>Dept./Agy.:</b> LA Dept. of Insurance/Office of Group Benefits	<b>Analyst:</b> Zachary Rau
<b>Subject:</b> Surprise Billing	

INSURANCE/HEALTH OR INCREASE SG EX See Note Page 1 of 2  
 Provides relative to surprise billing (Item #37)

Proposed law prohibits surprise billing and outlines policies and procedures for claims less than \$1,500 and more than \$1,500. Proposed law creates a benchmarking database and requires the LA Dept. of Insurance to select a neutral organization to maintain it, and further outlines requirements for the database. Proposed law creates an arbitration process and further provides for the determination of a reasonable amount based upon certain criteria. Proposed law provides for various effective dates for proposed law.

<b>EXPENDITURES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						
<b>REVENUES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law will increase expenditures for the Office of Group Benefits estimated to total \$1.15 M M in FY 22 with a phase-up to \$5.1 M by FY 25 (see narrative below). Furthermore, LDI reports that proposed law may increase claims expenditures for the health insurance industry by an estimated \$1.9 M-\$2.1 M and premiums by an estimated \$2.2 M-\$2.4 M in FY 22. Proposed law will also result in a one-time SGR expenditure of \$66,000 for the LA Dept. of Insurance (see narratives on Page 2).

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

The Office of Group Benefits (OGB) anticipates increased SGR expenditures associated with this measure totaling approximately \$1.15 M in FY 22 with a phase-up of expenditures to \$5.1 M in FY 25, based upon an analysis conducted by OGB staff and Blue Cross Blue Shield of LA, OGB's third-party administrator.

OGB's estimate is derived from its Calendar Year 2019 paid claims in radiology, anesthesiology, certified registered nurse anesthetist (CRNA), pathology, emergency medicine, plastic surgery, neurological surgery, and orthopedic surgery, per an analysis of the Brookings Institute on the impact of similar legislation in the state of New York. Next, OGB staff applied a 3% medical inflation factor to determine standard claims growth in each of the aforementioned areas. Standard growth of aggregate costs for each CY are as follows: CY 20 - \$48.6 M; CY 21 - \$50.1 M; CY 22 - \$51.6 M; CY 23 - \$53.2; CY 24 - \$54.7 M; CY 25 - \$56.4 M.

Then, to obtain gross cost increases associated with this measure, OGB staff multiplied the CY 19 claims individual claims data by the standard medical inflation factor of 3% and the following inflation factors by area to derive potential increased costs associated with the dispute resolution process: radiology, anesthesiology, CRNA, emergency medicine (see note), plastic surgery - 2%; pathology - 3%; neurological and orthopedic surgery - 1%. Applying a similar methodology to the standard aggregate growth in claims rate, OGB's annual estimated, increased claims costs for each CY are as follows: CY 20 - \$48.6 M; CY 21 - \$51.4 M; CY 22 - \$53.9 M; CY 23 - \$56.5 M; CY 24 - \$59.2 M; CY 25 - \$62.1 M.

Note: emergency medicine has a 10% inflation rate in the first year, then 2% every year thereafter.

**(Expenditure Explanation cont. on Pg. 2)**

**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 existing premiums and its fund balance of approximately \$276.1 M. However, while proposed law may not necessitate premium increases for OGB, to the extent numerous pieces of legislation are enacted that increase the overall costs of the program, OGB may be required to increase premiums to fund ongoing program costs and maintain an actuarially sound fund balance of \$200 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 type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	 <b>Gregory V. Albrecht</b> <b>Chief Economist</b>
<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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**CONTINUED EXPLANATION from page one:**

**(Expenditure Explanation cont. from Pg. 1)**

The difference of the increased aggregate claims less the standard growth in claims rate yields the annual anticipated cost for OGB by calendar year:

	Increased Claims	Std. Claims	Marginal Cost
CY 20	\$48.6 M	\$48.6 M	\$0
CY 21	\$50.1 M	\$51.4 M	\$1.3 M
CY 22	\$51.6 M	\$53.9 M	\$2.3 M
CY 23	\$53.2 M	\$56.5 M	\$3.3 M
CY 24	\$54.7 M	\$59.2 M	\$4.5 M
CY 25	\$56.4 M	\$62.1 M	\$5.7 M

Based upon the aforementioned marginal cost, the impact by FY is as follows:

- FY 22 - \$1.15 M (effective for half of FY 22 due to January 1, 2022 effective date)
- FY 23 - \$2.8 M (half of CY 22 and half of CY 23)
- FY 24 - \$3.9 M
- FY 25 - \$5.1 M

Note: while proposed law is anticipated to increase costs for OGB, OGB does not anticipate costs to necessitate an increase in premiums.

**LA Dept. of Insurance (Self-Generated Revenue Impact)**

The LA Dept. of Insurance anticipates a one-time SGR expenditure of \$66,000 associated with IT costs to design and code the requirements of the dispute resolution process this measure contemplates, including creating new electronic process, new regulatory management screens, and a new industry access module.

**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 shift expenditures associated with claims (\$1.9 M - \$2.1 M) and premium increases (\$2.2 M - \$2.4 M) for private insurers and the insured in FY 22 with a phase-up to an estimated \$14.3 M - \$15.9 M (claims) and \$16.8 M - \$18.7 M (premiums) by FY 25. LDI bases this analysis on the following assumptions: the calculations apply on a fiscal year basis; an insured population of 650,000; a stationary insured population; a PMPM totaling \$0.53 in FY 21, \$0.91 in FY 22, \$1.32 in FY 23, \$1.76 in FY 24, and \$2.23 in FY 25; coverage being in effect for half of FY 22 (provisions of proposed measure relative to the dispute resolution process are effective January 1, 2022); medical cost inflation built into the PMPM estimates; and a premium loss ratio of 85%. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows (numbers have been rounded for clarity):

- FY 22 - \$1.9 M - \$2.1 M
- FY 23 - \$6.7 - \$7.5 M
- FY 24 - \$10.2 M - \$11.4 M
- FY 25 - \$14.3 M - \$15.9 M

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

- FY 22 - \$2.2 M - \$2.4 M
- FY 23 - \$7.9 M - \$8.8 M
- FY 24 - \$12 M - \$13.4 M
- FY 25 - \$16.8 M - \$18.7 M

Note: this analysis does not include the exchange population of 100,000 persons. The LFO is waiting on additional information regarding the effect of adding the exchange population and will update this note as necessary to reflect any changes.

**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}

**Gregory V. Albrecht**  
**Chief Economist**