LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 557** HLS 22RS 741
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 13, 2022 7:55 AM
Author: WILLARD
Dept./Agy.: Insurance, Office of Group Benefits, Medicaid
Subject: Mandates Up to a 12-Month Contraceptive Supply
Analyst: Patrice Thomas

INSURANCE/HEALTH OR INCREASE GF EX See Note

Provides relative to the dispensing of contraceptives

Proposed law defines "contraceptive drugs". Proposed law requires health coverage plans (group coverage plan and Medicaid health plans) issued or renewed in this state on or after January 1, 2023, to cover up to a 12-month supply of contraceptive drugs to reimburse for a 12-month supply of contraceptive drugs, with an option to receive the contraceptives onsite at a health provider's office. Proposed law requires the insured to have used the same contraceptive drugs for at least consecutive 12 months before receiving a 12-month supply.

EXPENDITURES	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**5 -YEAR TOTAL**
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**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 law will decrease expenditures within LA Department of Health (LDH), Medicaid Program as well as increase Self-Generated Revenue expenditures within the Office of Group Benefits (OGB) and may increase State General Fund expenditures associated with a mandate to health insurance policies issued under the insurance exchanges beginning in FY 23 and subsequent fiscal years (see narrative below). Furthermore, proposed law will increase claims expenditures for the health insurance industry by an estimated $3.9 M - $9.8 M and premiums by an estimated $4.6 M - $11.5 M in FY 23 (see Expenditure Explanation on Page 2).

LA Department of Health (SGF, Statutory Dedication, and Federal Impact)

Proposed law decreases expenditures within the LA Department of Health (LDH), Medicaid Program. The proposed law requires the Medicaid Program to cover a 12-month supply of contraceptive drugs and allow patients to receive the contraceptives onsite at a health provider's office. Currently, the average dispensing fee is $4.83 for managed care organization (MCO) providers and $10.90 for fee-for-service (FFS) providers. Under this measure, LDH anticipates a decrease in pharmacy dispensing fees associated with contraceptives from once every month to once every 12 months as follows:

	Average Member Dispensing Fee	12-Month Contraceptive Claims per Month	Monthly Dispensing Fee Savings	Annual Dispensing Fee Savings
MCO Providers	$4.83	6,360	$30,719	$368,628
FFS Providers	$10.90	124	$1,352	$16,224
			$32,071	$384,852

Note: Since the proposed law is effective January 1, 2023, decrease of $192,426 in FY 23 represents expenditures for 6 months. In FY 24, savings of $384,852 is estimated ($44,258 SGF, $19,243 statutorily dedicated Medical Assistance Trust Fund, and $321,351 Federal).

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

Proposed law increases expenditures within the Office of Group Benefits (OGB). Proposed law requires OGB to cover a 12-month supply of contraceptive drugs and allow patients to receive the contraceptives onsite at a health provider's office. Based upon the assumptions listed below, the expenditures to cover this benefit range are as follows:

	FY 22-23*	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Total
Low	$130,157	$ 265,261	$ 270,301	$ 275,437	$ 280,670	$1,221,826
High	$520,629	$1,061,042	$1,081,202	$1,101,745	$1,122,678	$4,887,296

*FY 22-23 represent 6 months of estimated claims expenditures

See EXPENDITURE EXPLANATION on Page 2

REVENUE EXPLANATION

The Office of Group Benefits (OGB) does not anticipate the proposed law to require premium increases, therefore there is no impact self-generated revenues collected from premiums. OGB has indicated the estimated costs associated with coverage of a 12-month supply of contraceptive drugs may be absorbed by the existing fund balance reserve. 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 increase premiums in order to maintain an actuarially sound fund balance of $250 M.

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

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Interim Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION Continued from Page 1

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 40%. As of February 2022, the OGB Fund Balance was $385 M.

The expenditure estimate is based upon the following assumptions: (1) As of 3/01/2022, the current OGB member population in the five self-funded health plans is 212,884. No change in OGB self-funded health plan membership in future fiscal years from current levels. (2) The coverage will become effective on 1/01/2023. (3) The per member per month (PMPM) cost estimate provided by BCBSLA ranges from low of $0.10 PMPM to high of $0.40 PMPM as a result of additional claims associated with waste or loss of contraceptive drugs dispensed as a 12-month supply, includes estimated dispensing fees reduction of $8,505 for a 12 month period. (4) In future fiscal years, a medical inflation factor of 1.9%.

Based on the aforementioned methodology, the assumption that coverage will only be in place for 6 months in FY 23 due to the January 1, 2023 effective date, and a medical inflation (MI) factor of 1.9% compounding annually, below are expenditure calculations utilized to project the cost within OGB as a result of the proposed law utilizing the assumptions listed on page one.

Expenditure Calculations
FY 23 (Low) = $ 260,315 = 212,884 members x $0.10 PMPM x 12 months x 1.9% MI ($104,126 SGF)
FY 23 (High) = $1,041,258 = 212,884 members x $0.40 PMPM x 12 months x 1.9% MI ($416,503 SGF)

FY 24 (Low) = $ 265,261 = $ 260,315 x 1.9% MI ($636,625 SGF)
FY 24 (High) = $1,061,042 = $1,041,258 x 1.9% MI ($901,886 SGF)

FY 25 (Low) = $ 270,301 = $ 265,261 x 1.9% MI ($648,721 SGF)
FY 25 (High) = $1,081,202 = $1,061,042 x 1.9% MI ($919,022 SGF)

FY 26 (Low) = $ 275,437 = $ 270,301 x 1.9% MI ($661,047 SGF)
FY 26 (High) = $1,101,745 = $1,081,202 x 1.9% MI ($936,483 SGF)

FY 27 (Low) = $ 280,670 = $ 275,437 x 1.9% MI ($673,607 SGF)
FY 27 (High) = $1,122,678 = $1,101,745 x 1.9% MI ($954,276 SGF)

Total (Low) = $1,351,984 ($540,794 SGF)
Total (High) = $5,407,925 ($2,163,170 SGF)

Insurance Exchanges Impact (State General Fund Impact)

Proposed law may increase SGF expenditures beginning in FY 23 and in subsequent fiscal years according to an analysis provided by the health actuary LDI. The state would be required to fund health claims expenditures associated 12-month supply of contraceptive drug in proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 23 with estimated costs totaling $108,000 to $432,000 SGF and a potential increase of $131,000 to $525,000 SGF by FY 27. Claims expenses associated with proposed law would be paid out by the State Treasury Department. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 100,000 and the insured population is assumed to be stationary; medical cost inflation is 5%; the premium loss ratio is 85%; and the estimated cost is between $0.09 PMPM and $0.36 PMPM over the entire insured population. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

Aggregate Cost Determination
Aggregate cost of breast reduction = exchange population x PMPM cost x 12 months

FY 23 (Low) - 100,000 x $0.09 PMPM x 12 months = $108,000	FY 23 (High) - 100,000 x $0.36 PMPM x 12 months = $432,000
FY 24 (Low) - $108,000 x 5% MI = $113,400	FY 24 (High) - $432,000 x 5% MI = $453,600
FY 25 (Low) - $113,400 x 5% MI = $119,070	FY 25 (High) - $453,600 x 5% MI = $476,280
FY 26 (Low) - $119,070 x 5% MI = $125,024	FY 26 (High) - $476,280 x 5% MI = $500,094
FY 27 (Low) - $125,024 x 5% MI = $131,275	FY 27 (High) - $500,094 x 5% MI = $525,099

PRIVATE INSURANCE IMPACT

Pursuant to R.S. 24:603.1, the information below is the projected private insurance impact of proposed law. Based upon an actuarial analysis prepared by LDI, the proposed law is anticipated to increase expenditures associated with claims by $700,000 - $2.8 M and premium increases by $800,000 - $3.3 M for private insurers and the insured in FY 23 with estimated $900,000 -$3.4 M claims and $1 M - $4 M premiums by FY 27. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 650,000 and the insured population is assumed to be stationary; medical cost inflation is 5%; the premium loss ratio is 85%; and the estimated cost is between $0.09 PMPM and $0.36 PMPM over the entire insured population. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

Aggregate Cost Determination (exchange population x PMPM cost x 12 months)	Aggregate Extra Premium Determination (PMPM cost x 12 months)/medical loss ratio
FY 23 (Low) - 650,000 x $0.09 PMPM x 12 months = $702,000	FY 23 (Low) - ($0.09 PMPM x 12 months)/85% = $1.27
FY 23 (High) - 650,000 x $0.36 PMPM x 12 months = $2,808,000	FY 23 (High) - ($0.36 PMPM x 12 months)/85% = $5.08
FY 24 (Low) - $ 702,000 x 5% MI = $ 737,100	FY 24 (Low) - $1.27 x 5% MI = $1.33
FY 24 (High) - $2,808,000 x 5% MI = $2,948,400	FY 24 (High) - $5.08 x 5% MI = $5.34
FY 25 (Low) - $ 737,100 x 5% MI = $ 773,955	FY 25 (Low) - $1.33 x 5% MI = $1.40
FY 25 (High) - $2,948,400 x 5% MI = $3,095,820	FY 25 (High) - $5.34 x 5% MI = $5.61
FY 26 (Low) - $ 773,955 x 5% MI = $ 812,653	FY 26 (Low) - $1.40 x 5% MI = $1.47
FY 26 (High) - $3,095,820 x 5% MI = $3,250,611	FY 26 (High) - $5.61 x 5% MI = $5.89
FY 27 (Low) - $ 812,653 x 5% MI = $ 853,286	FY 27 (Low) - $1.47 x 5% MI = $1.54
FY 27 (High) - $3,250,611 x 5% MI = $3,413,142	FY 27 (High) - $5.89 x 5% MI = $6.18

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}

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