

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 958** HLS 08RS 686
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|--|---------------------------------|
| Date: June 16, 2008 4:38 PM | Author: FOIL |
| Dept./Agy.: Office of Group Benefits (OGB) | Analyst: Travis McIlwain |
| Subject: Coverage for autism spectrum disorders | |

INSURANCE/HEALTH EN INCREASE GF EX See Note Page 1 of 2

Requires health insurance coverage of the diagnosis and treatment of autism spectrum disorders in individuals under 21 years of age

Proposed legislation provides that any health coverage plan that is issued for delivery, delivered, renewed or otherwise contracted for in the state on or after January 1, 2009 shall include coverage for the diagnosis and treatment of autism spectrum disorders in individuals less than 17 years of age. This bill defines autism spectrum disorder as any of the pervasive developmental disorders, as defined by the Diagnostic and Statistical Manual of Mental Disorders (DSM), including Autistic Disorder, Asperger's Disorder and Pervasive Developmental Disorders Not Otherwise Specified. This legislation provides that the coverage shall not be subject to any limits on the number of visits an individual may make to an autism services provider and coverage may be subject to copayment, deductible and coinsurance provisions of a health coverage plan to the extent other medical services covered by the plan are subject to these provisions. Coverage shall be to a maximum benefit of \$36,000 per year and a lifetime maximum benefit of \$144,000. Proposed legislation specifically provides that medically necessary care ordered by a licensed physician or a licensed psychologist may include **(cont. page 2)**

| EXPENDITURES | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | SEE BELOW | INCREASE | INCREASE | INCREASE | INCREASE | |
| Agy. Self-Gen. | SEE BELOW | 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> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | SEE BELOW | 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> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

The expenditures of OGB will increase as result of this measure. The current plans offered by OGB provide coverage for medically necessary services including treatment of mental health, drug abuse and alcoholism, without regard to whether someone is autistic. However, proposed legislation requires coverage of "Applied Behavioral Analysis," which is not covered. The expenditures are anticipated to increase as follows:

| <u>FY 08-09</u> | <u>FY 09-10</u> | <u>FY 10-11</u> | <u>FY 11-12</u> | <u>FY 12-13</u> | <u>5-year Total</u> |
|-----------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|
| \$0 | \$1,869,645 to \$2,350,036 | \$2,118,307 to \$2,686,796 | \$2,378,224 to \$3,071,814 | \$2,645,536 to \$3,512,005 | \$9,011,711 to \$11,620,652 |

The estimates are based on the following assumptions:

- 1.) That the average costs of an "Applied Behavioral Analysis" is \$40,000 to \$60,000 per year (bill caps at \$36,000/year with a lifetime maximum of \$144,000, which is the maximum exposure utilized in the actuarial analysis);
- 2.) That the expected number of autistic children covered by OGB is approximately 102 (based upon statistics published by the U.S. Department of Special Education that states that 1 in 349, 0.29%, children are autistic in Louisiana). Out of a total OGB covered children (ages 1-16) population of 35,466, it is estimated that there are 102 autistic children and there will be approximately 41 of the 102 autistic population, or 0.116% of total projected children population covered by OGB (ages 1-16), seeking the "Applied Behavioral Analysis";
- 3.) That 60% of preschool children with autism receive behavioral therapy with the assumption decreasing by age down to 20% at the age of 17 (Ages 2-5 60%, Ages 6-9 50%, Ages 10-12 40%, 13-15 30%, 16-17 20%);
- 4.) Autism incidence rate of 12% in the first year and decreasing by 1% per year through year five;
- 5.) Medical inflation is 3%.

NOTE: A State General Fund appropriation shall be required to cover the state portion, 66.7%, of the increased premium cost to add this benefit pursuant to the legislation (estimated to be \$1,247,053 to \$1,567,474 in FY 10 and increase to \$1,764,573 to \$2,342,507 in FY 13 for a 5-year total cost range of \$6,010,812 to \$7,750,974). **(Cont. Page 2)**

REVENUE EXPLANATION

The revenues for OGB will increase as result of this measure. Using a medical loss ratio of 0.85, the revenue increase required by OGB to cover the cost of this benefit is as follows: **(approx. \$0.74 to 0.93 per member per month)**

| <u>FY 08-09</u> | <u>FY 09-10</u> | <u>FY 10-11</u> | <u>FY 11-12</u> | <u>FY 12-13</u> | <u>5-year Total</u> |
|-----------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------|
| \$0 | \$2,199,582 to \$2,764,748 | \$2,492,126 to \$3,160,936 | \$2,797,911 to \$3,613,899 | \$3,112,395 to \$4,131,771 | \$10,602,014 to \$13,671,354 |

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Robert E. Hosse

Robert E. Hosse
LFO Staff Director

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CONTINUED EXPLANATION from page one: Page 2 of 2 the following: A.) habilitative or rehabilitative care, B.) pharmacy care, C.) psychiatric care, D.) psychological care, E.) Therapeutic care. Proposed legislation provides that the provisions of this bill shall not apply to any health coverage plan issued to an employer with 50 or fewer employees and individually underwritten policies. Effective August 15, 2008.

CONTINUED REVENUE EXPLANATION (OGB IMPACT): Based upon the standard medical loss ratio of 0.85, the per OGB member per month premium increase will range from \$0.74 to \$0.93, or \$8.87 to \$11.15 per year, for a 5-year total of \$42.75 to \$55.13 per member per year. There are approximately 248,000 members covered under OGB. This estimate is based upon FY 10 cost projections.

CONTINUED EXPENDITURE EXPLANATION: Although this bill provides for an effective date of January 2009, OGB is estimating \$0 costs/revenues in FY 09 because health plan years run from July 1 to June 30 (state fiscal year). To the extent this legislation passes and OGB attempts to incorporate this health mandate into its contracted plans, legal issues could arise.

The actuary for the Department of Insurance (DOI) estimates that the costs to the private insurance industry statewide to provide coverage for the autism spectrum disorder will range from \$5.0 million to \$17 million in FY 09 (half-year cost projection), and increase by approximately \$10 million to \$34 million in FY 13. The estimates are based on the following assumptions:

- 1.) 1.7 million insured persons in the state of Louisiana;
2.) An average of 2 covered persons per policy (850,000);
3.) Health service recipients of the proposed legislation are individuals diagnosed with a condition under the autism spectrum disorder spectrum, 2 to 16 years of age and a member of a group health insurance plan with more than 50 members;
4.) The insured lives under this demographic are assumed to be 186,524, which is the number of individuals ages 2 to 16 and in a group health insurance plan with more than 50 members;
5.) A low incidence rate of 0.2% (1 in 500), 373, and a high incidence rate of 0.5% (1 in 200), 933, based upon the autism rate between 2 and 5 per 1,000;
6.) A high cost treatment of up to \$36,000 per year (benefit cap in proposed legislation);
7.) A low cost treatment of up to \$26,000 per year;
8.) An offset cost in the amount of \$10,000 per year for cost sharing and provider discounts;
9.) That the lifetime maximum of \$144,000 will not reduce costs because lives with their treatment eligibility used up will be replaced by newly diagnosed with an autism spectrum disorder;
10.) The annual group health insurance premium cost is \$10,000;
11.) Medical cost inflation is 5% compounded each year. However, medical cost inflation is not used since the treatment cap of \$36,000 is reached in first full year.

Expenditure Calculations (PRIVATE INSURANCE) The total annual extra claim cost equals [eligible lives x incidence x treatment costs x inflation] (rounded to nearest million): FY 09 cost (low): 186,524 x 0.002 x \$26,000 x 0.5 years = \$5 million (\$10 million for a full year) FY 09 cost (high): 186,524 x 0.005 x \$36,000 x 0.5 years = \$17 million (\$34 million for a full year) FY 10 cost (low): 186,524 x 0.002 x \$26,000 = \$10 million FY 10 cost (high): 186,524 x 0.005 x \$36,000 = \$34 million FY 11 cost (low): 186,524 x 0.002 x \$26,000 = \$10 million FY 11 cost (high): 186,524 x 0.005 x \$36,000 = \$34 million FY 12 cost (low): 186,524 x 0.002 x \$26,000 = \$10 million FY 12 cost (high): 186,524 x 0.005 x \$36,000 = \$34 million FY 13 cost (low): 186,524 x 0.002 x \$26,000 = \$10 million FY 13 cost (high): 186,524 x 0.005 x \$36,000 = \$34 million

Revenue Calculations (PRIVATE INSURANCE) The total annual extra premium cost equal [eligible lives x incidence x treatment costs] divided by 0.85 (standard loss ratio), rounded to the nearest million.

FY 09 total premium cost (low): 186,524 x \$26,000 x 0.002 x 0.5/0.85=\$6 million (\$12 million for a full year) FY 09 total premium cost (high): 186,524 x \$36,000 x 0.005 x 0.5/0.85=\$20 million (\$40 million for a full year) All subsequent fiscal year totals are inflated forward by 5%.

FY 09 percentage extra premium cost equals the total premium cost divided by the number of policies and premium per policy: FY 09 premium percentage increase (low): \$12 million/(850,000 x \$10,000)=0.13% (\$13.42 per policy per year or \$1.12 per policy per month) FY 09 premium percentage increase (high): \$40 million/(850,000 x \$10,000)=0.46% (\$46.47 per policy per year or \$3.87 per policy per month)

Senate Dual Referral Rules House
[X] 13.5.1 >= \$500,000 Annual Fiscal Cost
[] 13.5.2 >= \$500,000 Annual Tax or Fee Change
[] 6.8(F) >= \$500,000 Annual Fiscal Cost
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Signature of Robert E. Hosse, LFO Staff Director