



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 7** SLS 201ES 8
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 10, 2020 11:28 AM	Author: TALBOT
Dept./Agy.: LA Dept. of Insurance/Office of Group Benefits	Analyst: Zachary Rau
Subject: Surprise Billing	

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

Proposed law provides for assignment of benefits by an insured. Proposed law provides definitions associated with surprise billing and for an independent dispute resolution process regarding the practice, including applicability and duties of the LA Dept. of Insurance. Proposed law provides for the assignment of benefits for surprise bills for insured persons, and further establishes criteria for determining a reasonable fee. Proposed law provides for payment for independent dispute resolution entity who is arbitrating a surprise billing case.

EXPENDITURES	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.	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.	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						

EXPENDITURE EXPLANATION

Proposed law will increase expenditures for the Office of Group Benefits estimated to total \$10.7 M in FY 21 with a phase-up to \$72.5 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 \$108 M-\$180 M and premiums by an estimated \$127 M-\$212 M in FY 21 (see narrative 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 \$10.7 M in FY 21 with a phase-up of expenditures to \$62.8 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 Institution on the fiscal 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, and divided them by membership totals for the self-funded plans (171,130, excluding Medicare Primary plan members) and 12 to determine a per-member per-month rate for each service area, then combined them into a blended PMPM rate for CY 19 of \$23/month. Annual estimated per member per month rates for each CY are as follows: CY 20 - \$23.69; CY 21 - \$24.40; CY 22 - \$25.13; CY 23 - \$25.88; CY 24 - \$26.66; CY 25 - \$27.46.

Then, to obtain gross cost increases associated with this measure, OGB staff multiplied the CY 19 claims individual claims PMPMs by the standard medical inflation factor of 3% and the following inflation factors by area: radiology, anesthesiology, CRNA - 15%; pathology - 20%; emergency medicine - 30%; plastic surgery - 7%; neurological and orthopedic surgery - 5%. These inflation rates are associated with the "Usual and Customary" definition included in this measure Applying a similar methodology to the standard PMPM rate, OGB's annual estimated, increased per member per month rates for each CY are as follows: CY 20 - \$26.89; CY 21 - \$31.58; CY 22 - \$37.24; CY 23 - \$44.12; CY 24 - \$52.50; CY 25 - \$62.76.

(Expenditure Impact cont. on Pg. 2)

REVENUE EXPLANATION

The Office of Group Benefits anticipates requiring member premium increases beginning in FY 22 to defray costs associated with the proposed legislation, which will materialize in the form of an SGR increase. The extent of this increase is indeterminable, but is anticipated to be significant in nature.

<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}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input checked="" type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

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Staff Director

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CONTINUED EXPLANATION from page one:

(Expenditure Impact cont. from Pg. 1)

The difference of the increased PMPM rate less the standard growth PMPM rate yields the annual anticipated cost for OGB by calendar year after multiplying by the member population of 171,130 and 12 months:

	Increased Rate	Std. Rate	Margin	Member Pop.	Months	Marginal Cost
CY 20	\$26.89	\$23.69	\$3.20	171,130	12	\$6,571,392
CY 21	\$31.58	\$24.40	\$7.18	171,130	12	\$14,744,561
CY 22	\$37.24	\$25.13	\$12.11	171,130	12	\$24,868,612
CY 23	\$44.12	\$25.88	\$18.24	171,130	12	\$37,456,934
CY 24	\$52.50	\$26.66	\$25.84	171,130	12	\$53,063,990
CY 25	\$62.76	\$27.46	\$35.30	171,130	12	\$72,490,668

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

- FY 21 - \$10,657,976 (half of CY 20 and half of CY 21)
- FY 22 - \$19,806,586
- FY 23 - \$31,162,773
- FY 24 - \$45,260,462
- FY 25 - \$62,777,329

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, 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 (\$108 M - \$180 M) and premium increases (\$127 M - \$212 M) for private insurers and the insured in FY 21 with a phase-up to an estimated \$132 M - \$219 M (claims) and \$154 M - \$257 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 750,000; a stationary insured population; a PMPM totaling \$12-\$20; coverage being in effect for all of FY 21 (proposed measure is effective upon signature of the governor); medical cost inflation of 5% annually; 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 21 - \$108 M (750K members * \$12 PMPM * 12 months) - \$180 M (750K members * \$20 PMPM * 12 months)
- FY 22 - \$113 M (750K members * \$12 PMPM * 12 * 1.05) - \$198 M (750K members * \$20 PMPM * 12 * 1.05)
- FY 23 - \$119 M - \$198 M
- FY 24 - \$125 M - \$209 M
- FY 25 - \$132 M - \$219 M

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

- FY 21 - \$127 M (750K members*\$12 PMPM* 12 /.85 LR) - \$212 M (750K members*\$20 PMPM* 12 /.85 LR)
- FY 22 - \$133 M (750K members*\$12 PMPM*12*1.05 /.85 LR) - \$222 M (750K members*\$20 PMPM*12 *1.05 /.85 LR)
- FY 23 - \$140 M - \$233 M
- FY 24 - \$147 M - \$245 M
- FY 25 - \$154 M - \$257 M

Note: per discussions with LDI staff, the state is not required to fund increased costs for the health insurance exchanges because this measure does not create a new benefit and amends an administrative process, therefore these cost estimates include increased costs associated with exchange plans for private insurers offering coverage on the exchanges.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

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

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