



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 537** HLS 22RS 648
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 20, 2022	1:30 PM	Author: DAVIS
Dept./Agy.: Insurance, Office of Group Benefits, Medicaid		Analyst: Patrice Thomas
Subject: Mandates Coverage for Infertility Treatments		

INSURANCE/HEALTH OR INCREASE GF EX See Note Page 1 of 2
 Requires health insurance coverage for infertility treatments

Proposed law requires health insurance plans to provide coverage for infertility treatments. Proposed law provides that in vitro fertilization procedures shall be covered the same as other pregnancy-related procedures. Proposed law provides coverage under the following conditions: (1) the patient is entitled to benefits under the health coverage plan; (2) fertilization or attempted fertilization is made only with the sperm of the patient's spouse; (3) a history of infertility of at least five (5) continuous years or the infertility is associated a specific medical condition; (4) the patient has been unable to attain a successful pregnancy through any less costly infertility treatments covered by the health plan; (5) the medical facility that will perform in vitro fertilization conforms to standards of the American Society for Reproductive Medicine.

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	\$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	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.	SEE BELOW					
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 significantly 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 - \$5.9 M and premiums by an estimated \$4.6 M - \$6.9 M in FY 23 (see Expenditure Explanation on Page 2).

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 IVF infertility treatments under certain conditions. 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	\$2,725,113	\$3,029,335	\$3,086,892	\$3,145,543	\$3,205,308	\$15,192,191
High	\$16,350,680	\$18,176,011	\$18,521,355	\$18,873,261	\$19,231,853	\$91,153,160

*FY 22-23 represent 11 months of estimated claims expenditures

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. Membership will remain constant. (2) The coverage will become effective on 8/01/2022. (3) No change in OGB self-funded health plan membership in future fiscal years from current levels. (4) Utilization estimated to be approximately 149 females between the ages of 16 and 45 annually that receive a maximum of 6 IVF cycles annually. (5) Estimated cost of each IVF treatment cycle is \$19,580. (6) In future fiscal years, a medical inflation factor of 1.9%.

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 IVF infertility treatments 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	<u>Dual Referral Rules</u>	House
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<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}

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

Based on the aforementioned methodology, the assumption that coverage will only be in place for 11 months in FY 23 due to the August 1st 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) = \$ 2,972,851 = 149 members x \$19,580 x 1 cycle x 1.9% MI (\$1,189,140 SGF)
FY 23 (High) = \$17,837,106 = 149 members x \$19,580 x 6 cycles x 1.9% MI (\$7,134,842 SGF)
FY 24 (Low) = \$ 3,029,335 = \$ 2,972,851 x 1.9% MI (\$1,211,734 SGF)
FY 24 (High) = \$18,176,011 = \$17,837,106 x 1.9% MI (\$7,270,404 SGF)
FY 25 (Low) = \$ 3,086,892 = \$ 3,029,335 x 1.9% MI (\$1,234,757 SGF)
FY 25 (High) = \$18,521,355 = \$18,176,011 x 1.9% MI (\$7,408,542 SGF)
FY 26 (Low) = \$ 3,145,543 = \$ 3,086,892 x 1.9% MI (\$1,258,217 SGF)
FY 26 (High) = \$18,873,261 = \$18,521,355 x 1.9% MI (\$7,549,304 SGF)
FY 27 (Low) = \$ 3,205,308 = \$ 3,145,543 x 1.9% MI (\$1,282,123 SGF)
FY 27 (High) = \$19,231,853 = \$18,873,261 x 1.9% MI (\$7,692,741 SGF)
Total (Low) = \$15,439,929 (\$6,175,972 SGF)
Total (High) = \$92,639,586 (\$37,055,834 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 for LDI. The state would be required to fund health claims expenditures associated with IVF infertility treatment coverage in proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 23 with estimated costs totaling \$1.6 M to \$2.4 M SGF and a potential phase-up to over \$2 M to \$3 M SGF by FY 27 and beyond. 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 \$1.35 PMPM and \$2.03 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 \$1.35 PMPM x 12 months = \$1,620,000
FY 23 (High) - 100,000 x \$2.03 PMPM x 12 months = \$2,436,000
FY 24 (Low) - \$1,620,000 x 5% MI = \$1,701,000
FY 24 (High) - \$2,436,000 x 5% MI = \$2,557,800
FY 25 (Low) - \$1,701,000 x 5% MI = \$1,786,050
FY 25 (High) - \$2,557,800 x 5% MI = \$2,685,690
FY 26 (Low) - \$1,786,050 x 5% MI = \$1,875,353
FY 26 (High) - \$2,685,690 x 5% MI = \$2,819,975
FY 27 (Low) - \$1,875,353 x 5% MI = \$1,969,121
FY 27 (High) - \$2,819,975 x 5% MI = \$2,960,974

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 \$10.5 M - \$15.8 M and premium increases by \$12.4 M - \$18.6 M for private insurers and the insured in FY 23 with a phase-up costs of an estimated \$12.8 M - \$19.2 M claims and \$15.1 M - \$22.6 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 \$1.35 PMPM and \$2.03 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)
FY 23 (Low) - 650,000 x \$1.35 PMPM x 12 months = \$10,530,000
FY 23 (High) - 650,000 x \$2.03 PMPM x 12 months = \$15,834,000
FY 24 (Low) - \$10,530,000 x 5% MI = \$11,056,500
FY 24 (High) - \$15,834,000 x 5% MI = \$16,625,700
FY 25 (Low) - \$11,056,500 x 5% MI = \$11,609,325
FY 25 (High) - \$16,625,700 x 5% MI = \$17,456,985
FY 26 (Low) - \$11,609,325 x 5% MI = \$12,189,791
FY 26 (High) - \$17,456,985 x 5% MI = \$18,329,834
FY 27 (Low) - \$12,189,791 x 5% MI = \$12,799,281
FY 27 (High) - \$18,329,834 x 5% MI = \$19,246,326

Aggregate Extra Premium Determination

(PMPM cost x 12 months)/medical loss ratio
FY 23 (Low) - (\$1.35 PMPM x 12 months)/85% = \$19.06
FY 23 (High) - (\$2.03 PMPM x 12 months)/85% = \$28.65
FY 24 (Low) - \$19.06 x 5% MI = \$20.01
FY 24 (High) - \$28.65 x 5% MI = \$30.08
FY 25 (Low) - \$20.01 x 5% MI = \$21.01
FY 25 (High) - \$30.08 x 5% MI = \$31.58
FY 26 (Low) - \$21.01 x 5% MI = \$22.06
FY 26 (High) - \$31.58 x 5% MI = \$33.16
FY 27 (Low) - \$22.06 x 5% MI = \$23.16
FY 27 (High) - \$33.16 x 5% MI = \$34.82

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}

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Interim Deputy Fiscal Officer