



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 537** HLS 22RS 648
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 1, 2022	11:25 AM	Author: DAVIS
Dept./Agy.: Dept of Insurance and Office of Group Benefits		
Subject: Mandates Coverage for Fertility Preservation Services		Analyst: Patrice Thomas

INSURANCE/HEALTH RE1 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 standard fertility preservation services. Proposed law provides coverage including hospital, medical, or surgical benefits to cover medically necessary expenses of standard fertility preservation services. Proposed law provides that an individual must have a medical condition that may cause infertility, or medication therapy, surgery, radiation, chemotherapy, or other medical treatments directly or indirectly cause infertility. Proposed law has a religious exemption. Proposed law effective January 1, 2023 (new health coverage plans) and January 1, 2024 (existing health coverage plans). Proposed law shall be known as "The Medically Necessary Fertility Preservation Act".

EXPENDITURES	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
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

REVENUES	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
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

EXPENDITURE EXPLANATION

Proposed law will increase Self-Generated Revenue expenditures within the Office of Group Benefits (OGB) beginning in FY 24 and increase State General Fund expenditures associated with a mandate to health insurance policies issued under the insurance exchanges beginning in FY 24 and subsequent fiscal years. Furthermore, the proposed law will increase claims expenditures for the private health insurance industry by an estimated \$9 M - \$27.8 M and premiums by an estimated \$10.6 M - \$32.8 M, which represents a 0.17% - 0.52% total premium increase in FY 24 (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 female and male fertility preservation services 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	\$0	\$274,156	\$ 558,730	\$ 569,346	\$ 580,164	\$1,982,396
High	\$0	\$873,683	\$1,780,566	\$1,814,397	\$1,848,871	\$6,317,517

*There are no expenditures in FY 23 because the effective date of proposed legislation for existing health plans is January 1, 2024.

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 April 2022, OGB reports a \$424.1 M fund balance.

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 1/01/2024. (3) No change in OGB self-funded health plan membership in future fiscal years from current levels. (4) Estimated to be approximately 1,304 plan members diagnosed with infertility annually based on claims over 12 months with primary diagnosis codes for numerous conditions linked to infertility. (5) Utilization rates estimated for each mandated benefit are as follows: 4.5% to 9% for female fertility preservation and 0.5% to 1% for male fertility preservation. (6) Estimated cost for each mandated benefit are as follows: \$10,000 to \$15,000 cost for female fertility preservation services and \$1,000 to \$10,000 cost for male fertility preservation services. (7) Allowable cost at 89% of billed charges. (8) 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 on page one, the assumption that coverage will only be in place for 6 months in FY 24 due to the January 1, 2024 effective date, allowable cost at 89% of billed charges, and a medical inflation (MI) factor of 1.9% compounding annually, below are expenditure calculations utilized to project the cost within OGB utilizing the assumptions listed on page one.

Expenditure Calculations

Base Cost (Low) = \$ 538,088 = \$ 528,055 x 1.9% MI (\$215,235 SGF)
Base Cost (High) = \$1,714,785 = \$1,682,812 x 1.9% MI (\$685,914 SGF)
FY 24 (Low) = \$ 548,312 = \$ 538,088 x 1.9% MI (\$219,325 SGF)
FY 24 (High) = \$1,747,366 = \$1,714,785 x 1.9% MI (\$698,946 SGF)
FY 25 (Low) = \$ 558,730 = \$ 548,312 x 1.9% MI (\$223,492 SGF)
FY 25 (High) = \$1,780,566 = \$1,747,366 x 1.9% MI (\$712,226 SGF)
FY 26 (Low) = \$ 569,346 = \$ 558,730 x 1.9% MI (\$227,738 SGF)
FY 26 (High) = \$1,814,397 = \$1,780,566 x 1.9% MI (\$725,759 SGF)
FY 27 (Low) = \$ 580,164 = \$ 569,346 x 1.9% MI (\$232,066 SGF)
FY 27 (High) = \$1,848,871 = \$1,814,397 x 1.9% MI (\$739,548 SGF)
Total (Low)* = \$2,256,552 (\$ 902,621 SGF)
Total (High)* = \$7,191,200 (\$2,876,480 SGF)
*The Total does not include the Base Costs.

Insurance Exchanges Impact (State General Fund Impact)

Proposed law may increase SGF expenditures beginning in FY 24 and 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 infertility treatment coverage in the proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 24 with estimated costs totaling \$1.4 M to \$4.3 M SGF and a potential phase-up to over \$1.6 M to \$5 M SGF by FY 27 and beyond. Claims expenses associated with the 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 \$1.10 PMPM and \$3.40 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 = exchange population x PMPM cost x 12 months
Base Cost (Low) - 100,000 x \$1.10 PMPM x 12 months = \$1,320,000
Base Cost (High) - 100,000 x \$3.40 PMPM x 12 months = \$4,080,000
FY 24 (Low) - \$1,320,000 x 5% MI = \$1,386,000
FY 24 (High) - \$4,080,000 x 5% MI = \$4,284,000
FY 25 (Low) - \$1,386,000 x 5% MI = \$1,455,300
FY 25 (High) - \$4,284,000 x 5% MI = \$4,498,200
FY 26 (Low) - \$1,455,300 x 5% MI = \$1,528,065
FY 26 (High) - \$4,498,200 x 5% MI = \$4,723,110
FY 27 (Low) - \$1,528,065 x 5% MI = \$1,604,468
FY 27 (High) - \$4,723,110 x 5% MI = \$4,959,266

PRIVATE INSURANCE IMPACT

Pursuant to R.S. 24:603.1, the information below is the projected private insurance impact of the proposed law. Based upon an actuarial analysis prepared by LDI, the proposed law is anticipated to increase expenditures associated with claims by \$9 M - \$27.8 M and premium increases by \$10.6 M - \$32.8 M for private insurers and the insured in FY 24 with phase-up costs of an estimated \$10.4 M - \$32.2 M claims and \$12.3 M - \$37.9 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 \$1.10 PMPM and \$3.40 PMPM over the entire insured population, which represents a 0.17% to 0.52% annual premium increase. 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)
Base Cost (Low) - 650,000 x \$1.10 PMPM x 12 months = \$ 8,580,000
Base Cost (High) - 650,000 x \$3.40 PMPM x 12 months = \$26,520,000
FY 24 (Low) - \$ 8,580,000 x 5% MI = \$ 9,009,000
FY 24 (High) - \$26,520,000 x 5% MI = \$27,846,000
FY 25 (Low) - \$ 9,009,000 x 5% MI = \$ 9,459,450
FY 25 (High) - \$27,846,000 x 5% MI = \$29,238,300
FY 26 (Low) - \$ 9,459,450 x 5% MI = \$ 9,932,423
FY 26 (High) - \$29,238,300 x 5% MI = \$30,700,215
FY 27 (Low) - \$ 9,932,423 x 5% MI = \$10,429,044
FY 27 (High) - \$30,700,215 x 5% MI = \$32,235,226

Aggregate Extra Premium Determination

(PMPM cost x 12 months)/medical loss ratio
Base Cost (Low) - (\$1.10 PMPM x 12 months)/85% = \$15.53
Base Cost (High) - (\$3.40 PMPM x 12 months)/85% = \$48.00
FY 24 (Low) - \$15.53 x 5% MI = \$16.31
FY 24 (High) - \$48.00 x 5% MI = \$50.40
FY 25 (Low) - \$16.31 x 5% MI = \$17.13
FY 25 (High) - \$50.40 x 5% MI = \$52.92
FY 26 (Low) - \$17.13 x 5% MI = \$17.99
FY 26 (High) - \$52.92 x 5% MI = \$55.57
FY 27 (Low) - \$17.99 x 5% MI = \$18.89
FY 27 (High) - \$55.57 x 5% MI = \$58.35

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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