

LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 468** HLS 22RS 944  
Bill Text Version: **ENGROSSED**  
Opp. Chamb. Action:  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> April 18, 2022 6:49 AM	<b>Author:</b> GREEN
<b>Dept./Agy.:</b> LA Dept of Insurance and Office of Group Benefits	
<b>Subject:</b> Mandated Health Insurance Coverage for Breast Reduction	<b>Analyst:</b> Patrice Thomas

INSURANCE/HEALTH EG INCREASE EX See Note Page 1 of 2  
Provides for insurance coverage of breast reduction procedures

Proposed law requires health insurance plans to provide coverage benefits for breast reduction procedures when medical necessary to improve debilitating conditions, including but not limited to persistent pain, and the underlying condition is not breast cancer. Proposed law provides that medical necessity criteria shall rely upon medical and scientific evidence based which excludes cosmetic breast reduction procedures, cosmetic breast lifts, and other cosmetic procedures. Proposed law effective January 1, 2023 (new health coverage plans) and January 1, 2024 (existing health coverage plans).

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	\$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 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 significantly increases expenditures within the Office of Group Benefits (OGB). Proposed law requires OGB to cover breast reduction procedures determined to be medically necessary to improve a debilitating condition (i.e. persistent pain) where the underlying condition is not breast cancer. 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	\$1,431,730	\$1,591,563	\$1,621,803	\$1,652,617	\$1,684,017	\$ 7,981,730
High	\$2,028,284	\$2,254,715	\$2,297,554	\$2,341,208	\$2,385,691	\$11,307,451

\*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.

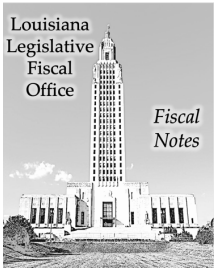
The expenditure estimate is based upon the following assumptions: The expenditure estimate is based upon the following assumptions: (1) As of 3/01/2022, the current OGB member population in the five self-funded health plans is 212,884. Membership will remain constant. (2) The coverage will become effective on 8/02/2022. (3) No change in OGB self-funded health plan membership in future fiscal years from current levels. (4) \$0.60 per member per month (PMPM) cost estimate provided by BCBSLA. Coverage for mastopexy (breast lift) services are not required by this measure. (5) 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 prescription donor breast milk 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	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}	<i>Evan Brasseaux</i>
<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 Interim Deputy Fiscal Officer



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**CONTINUED EXPLANATION from page one:** Page 2 of 2

**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) = \$1,561,887 = 212,884 members x \$0.60 PMPM x 12 months x 1.9% MI (\$624,755 SGF)  
FY 23 (High) = \$2,212,674 = 212,884 members x \$0.85 PMPM x 12 months x 1.9% MI (\$885,070 SGF)  
  
FY 24 (Low) = \$1,591,563 = \$1,561,887 x 1.9% MI (\$636,625 SGF)  
FY 24 (High) = \$2,254,715 = \$2,212,674 x 1.9% MI (\$901,886 SGF)  
  
FY 25 (Low) = \$1,621,803 = \$1,591,563 x 1.9% MI (\$648,721 SGF)  
FY 25 (High) = \$2,297,554 = \$2,254,715 x 1.9% MI (\$919,022 SGF)  
  
FY 26 (Low) = \$1,652,617 = \$1,621,803 x 1.9% MI (\$661,047 SGF)  
FY 26 (High) = \$2,341,207 = \$2,297,554 x 1.9% MI (\$936,483 SGF)  
  
FY 27 (Low) = \$1,684,017 = \$1,652,617 x 1.9% MI (\$673,607 SGF)  
FY 27 (High) = \$2,385,691 = \$2,341,207 x 1.9% MI (\$954,276 SGF)  
  
Total (Low) = \$ 7,981,730 (\$3,192,692 SGF)  
Total (High) = \$11,307,451 (\$4,522,980 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 with breast reduction coverage in proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 23 with estimated costs totaling \$600,000 to \$900,000 SGF and a potential phase-up to over \$700,000 to \$1 M SGF by FY 25 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 \$0.50 PMPM and \$0.75 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 \$0.50 PMPM x 12 months = \$600,000  
FY 23 (High) - 100,000 x \$0.75 PMPM x 12 months = \$900,000  
  
FY 24 (Low) - \$600,000 x 5% MI = \$630,000  
FY 24 (High) - \$900,000 x 5% MI = \$945,000  
  
FY 25 (Low) - \$600,000 x 5% MI = \$630,000  
FY 25 (High) - \$900,000 x 5% MI = \$945,000  
  
FY 26 (Low) - \$600,000 x 5% MI = \$630,000  
FY 26 (High) - \$900,000 x 5% MI = \$945,000  
  
FY 27 (Low) - \$600,000 x 5% MI = \$630,000  
FY 27 (High) - \$900,000 x 5% MI = \$945,000

**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 \$3.9 M - \$5.9 M and premium increases by \$4.6 M - \$6.9 M for private insurers and the insured in FY 23 with a phase-up costs of an estimated \$4.7 M - \$7.1 M claims and \$5.6 M - \$8.4 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 \$0.50 PMPM and \$0.75 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 \$0.50 PMPM x 12 months = \$3,900,000 FY 23 (High) - 650,000 x \$0.75 PMPM x 12 months = \$5,850,000  FY 24 (Low) - \$3,900,000 x 5% MI = \$4,095,000 FY 24 (High) - \$5,850,000 x 5% MI = \$6,142,500  FY 25 (Low) - \$4,095,000 x 5% MI = \$4,299,750 FY 25 (High) - \$6,142,500 x 5% MI = \$6,449,625  FY 26 (Low) - \$4,299,750 x 5% MI = \$4,514,738 FY 26 (High) - \$6,449,625 x 5% MI = \$6,772,106  FY 27 (Low) - \$4,514,738 x 5% MI = \$4,740,475 FY 27 (High) - \$6,772,106 x 5% MI = \$7,110,711	Aggregate Extra Premium Determination (PMPM cost x 12 months)/medical loss ratio FY 23 (Low) - (\$0.50 PMPM x 12 months)/85% = \$ 7.06 FY 23 (High) - (\$0.75 PMPM x 12 months)/85% = \$10.59  FY 24 (Low) - \$ 7.06 x 5% MI = \$7.41 FY 24 (High) - \$10.59 x 5% MI = \$11.12  FY 25 (Low) - \$ 7.41 x 5% MI = \$7.78 FY 25 (High) - \$11.12 x 5% MI = \$11.68  FY 26 (Low) - \$ 7.78 x 5% MI = \$8.17 FY 26 (High) - \$11.68 x 5% MI = \$12.26  FY 27 (Low) - \$ 8.17 x 5% MI = \$8.58 FY 27 (High) - \$12.26 x 5% MI = \$12.87
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<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*  
**Evan Brasseaux**  
Interim Deputy Fiscal Officer