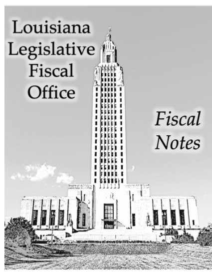

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 104** SLS 23RS 345
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action: **w/ HSE COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 2, 2023 7:32 AM **Author:** STINE
Dept./Agy.: Insurance and Office of Group Benefits
Subject: Mandates Coverage of Biomarker Testing **Analyst:** Patrice Thomas

GENETICS EG1 INCREASE GF EX See Note

Provides for health insurance coverage of genetic testing for diseases and other medical conditions. (8/1/23)

Proposed law defines "biomarker" and "biomarker testing". Proposed law requires any health coverage plan to include coverage for biomarker testing for diagnosis, treatment, appropriate management, or ongoing monitoring of an individual's disease or condition when the test is supported by medical and scientific evidence. Under proposed law, testing is subject to annual deductibles, coinsurance, and copayment. Proposed law requires the process to request an exception or adverse utilization review determination shall be accessible on the health coverage plan's website. Proposed law effective January 1, 2024 (new health coverage plans) and January 1, 2025 (existing health coverage plans).

EXPENDITURES	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**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	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

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, proposed law will increase claims expenditures for the health insurance industry by an estimated $5.9 M - $11.8 M and premium increases by an estimated $6.9 M - $13.9 M 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). The proposed law requires OGB to cover biomarker testing for diagnosing, treating, managing or monitoring a plan member's disease or condition when the test is supported by medical and scientific evidence. Based upon the assumptions listed below, the expenditures to cover this benefit range are as follows:

	FY 23-24*	FY 24-25	FY 25-26	FY 26-27	FY 27-28	Total
Low	$1,709,291	$3,555,326	$3,697,539	$3,845,441	$3,999,258	$16,806,856
High	$3,428,880	$7,132,069	$7,417,352	$7,714,046	$8,022,608	$33,714,955

*FY 23-24 represent 6 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 41%. As of February 2023, OGB reports a $434 M fund balance.

The expenditure estimate is based upon the following assumptions: (1) As of 5/01/2023, the current OGB member population in the five self-funded health plans is 165,015 (excluding 43,515 Medicare primary members, total members of 208,530). 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) The per member per month (PMPM) cost estimate provided by BCBSLA range from $1.66 pmpm (low) or $3.33 pmpm (high). (5) In future fiscal years, a medical inflation factor of 4%.

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 on self-generated revenues collected from premiums. OGB has indicated the estimated costs associated with biomarker testing 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 material and require OGB to increase premiums to maintain an actuarially sound fund balance of $250 M.

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}

Evan Brasseaux
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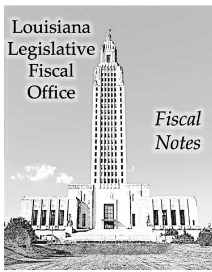
Interim Deputy Fiscal Officer



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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, the per member per month (PMPM) cost estimates range from a low of $1.66 pmpm to a high of $3.33 pmpm, and a medical inflation (MI) factor of 4% compounding annually, below are expenditure calculations utilized to project the cost within OGB utilizing the assumptions listed on page one.

Expenditure Calculations = membership population x PMPM cost x 12 months
Base Cost (Low) = $3,287,099 = 165,015 x $1.66 x 12 months
Base Cost (High) = $6,593,999 = 165,015 x $3.33 x 12 months

FY 24 (Low) = $3,418,583 = $3,287,099 x 4% MI ($1,410,094 SGF)
FY 24 (High) = $6,857,759 = $6,593,999 x 4% MI ($2,828,682 SGF)

FY 25 (Low) = $3,555,326 = $3,418,583 x 4% MI ($1,466,497 SGF)
FY 25 (High) = $7,132,069 = $6,857,759 x 4% MI ($2,941,829 SGF)

FY 26 (Low) = $3,697,539 = $3,555,326 x 4% MI ($1,525,157 SGF)
FY 26 (High) = $7,417,352 = $7,132,069 x 4% MI ($3,059,502 SGF)

FY 27 (Low) = $3,845,441 = $3,697,539 x 4% MI ($1,586,164 SGF)
FY 27 (High) = $7,714,046 = $7,417,352 x 4% MI ($3,181,882 SGF)

FY 28 (Low) = $3,999,258 = $3,845,441 x 4% MI ($1,649,610 SGF)
FY 28 (High) = $8,022,608 = $7,714,046 x 4% MI ($3,309,158 SGF)

Total (Low)* = $18,516,147 ($ 7,637,522 SGF)
Total (High)* = $37,143,834 ($15,321,053 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 LDI actuary. The state would be required to fund health claims expenditures associated with biomarker testing as required in the proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 24 with estimated costs totaling approximately $1.1 M to $2.2 M SGF and a potential phase-up to over $2.7 M to $5.5 M SGF by FY 28 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 120,000 and the insured population is assumed to be stationary; medical cost inflation is 8% in FY 25 and 5% in subsequent years; the premium loss ratio is 85%; and the **estimated cost is between $1.52 PMPM and $3.03 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 x Medical Inflation (MI)
FY 24 (Low) - 120,000 x $1.52 PMPM x 12 months = $2,188,800 ($1,094,400*)
FY 24 (High) - 120,000 x $3.03 PMPM x 12 months = $4,363,200 ($2,181,600*)

FY 25 (Low) - $2,188,800 x 8% MI = $2,363,904
FY 25 (High) - $4,363,200 x 8% MI = $4,712,256

FY 26 (Low) - $2,363,904 x 5% MI = $2,482,099
FY 26 (High) - $4,712,256 x 5% MI = $4,947,869

FY 27 (Low) - $2,482,099 x 5% MI = $2,606,204
FY 27 (High) - $4,947,869 x 5% MI = $5,195,262

FY 28 (Low) - $2,606,204 x 5% MI = $2,736,514
FY 28 (High) - $5,195,262 x 5% MI = $5,455,025
*FY 23-24 represent 6 months to reflect an effective date of 1/01/2024.

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 $5.9 M - $11.8 M and premium increases by $6.9 M - $13.9 M for private insurers and the insured in FY 24 (6 months) with a phase-up costs of an estimated $14.8 M - $29.5 M claims and $17.4 M - $34.8 M premiums by FY 28. 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 8% in FY 25 and 5% in subsequent fiscal years; the premium loss ratio is 85%; and **the estimated cost is between $1.52 PMPM and $3.03 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 x MI)
FY 24 (Low) - 650,000 x $1.52 x 12 months = $11,856,000
FY 24 (High) - 650,000 x $3.03 x 12 months = $23,634,000

FY 25 (Low) - $11,856,000 x 8% MI = $12,804,480
FY 25 (High) - $23,634,000 x 8% MI = $25,524,720

FY 26 (Low) - $12,804,480 x 5% MI = $13,444,704
FY 26 (High) - $25,524,720 x 5% MI = $26,800,956

FY 27 (Low) - $13,444,704 x 5% MI = $14,116,939
FY 27 (High) - $26,800,956 x 5% MI = $28,141,004

FY 28 (Low) - $14,116,939 x 5% MI = $14,822,786
FY 28 (High) - $28,141,004 x 5% MI = $29,548,054

Aggregate Extra Premium Determination
(PMPM cost x 12 months)/medical loss ratio x MI
FY 24 (Low) - ($1.52 x 12 months)/85% = $21.46
FY 24 (High) - ($3.03 x 12 months)/85% = $42.78

FY 25 (Low) - $21.46 x 8% MI = $23.18
FY 25 (High) - $42.78 x 8% MI = $46.20

FY 26 (Low) - $23.18 x 5% MI = $24.34
FY 26 (High) - $46.20 x 5% MI = $48.51

FY 27 (Low) - $24.34 x 5% MI = $25.56
FY 27 (High) - $48.51 x 5% MI = $50.94

FY 28 (Low) - $25.56 x 5% MI = $26.84
FY 28 (High) - $50.94 x 5% MI = $53.49

Senate — Dual Referral Rules
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[ ] 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