Louisiana Legislative	LEGISL	ATIVE FISC Fiscal Not							
Fiscal Office				scal Note On:	SB	347	SLS	24RS	394
Fiscal Office Fiscal Notes	Bill Text Version: ORIGINAL								
	Opp. Chamb. Action:								
			Pro	posed Amd.:					
			ç	Sub. Bill For.:			F	REVISE	ED
Date: April 16, 2024	7:57 PM			Author: HARRIS, JIMMY					
Dept./Agy.: Insurance									
Subject: Fairness in Certain	Cost-Sharing of C	Covered Prescrip	otions	An	alyst:	Patrice	Thoı ؛	mas	
HEALTH/ACC INSURANCE		OR NO IMPACT	See Note					Page	1 of 2

Provides relative to ensuring fairness in certain cost-sharing practices. (gov sig)

<u>Proposed law</u> applies to both health insurance issuers and third-party administrators and provides the following: an enrollee's defined cost sharing for each prescription drug is to be calculated at the point of sale based on the net price for the prescription drug, and a health insurance issuer can decrease an enrollee's defined cost sharing by an amount greater than that required under this proposed law. <u>Proposed law</u> provides civil or criminal penalties for noncompliance. <u>Proposed law</u> provides a health insurance issuer or its agents cannot publish or disclose information about the actual amount of rebates the health insurance issuer receives. <u>Proposed law</u> provides that rebating information is considered a trade secret and is not a public record. <u>Proposed law</u> provides for definitions.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	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
REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	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

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Under the proposed law, the state would not be required to make defrayal payments. The LFO is publishing a REVISED version of this fiscal note after receiving updated information from the LDI regarding the impact of the proposed law on the private insurance industry.

Insurance Exchanges Impact (State General Fund Defrayal Impact) - Proposed law will increase claims expenditures beginning in FY 25 and subsequent fiscal years according to an analysis provided by the LDI health actuary. The impact on policies issued by qualified health plans through the health insurance exchange is estimated to increase claims by approximately \$10 M to \$15 M and a potential phase-up of \$12.5 M to \$18.8 M SGF by FY 29 and beyond. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 200,000 and the insured population is assumed to be stationary; medical cost inflation (MI) is 8%; the premium loss ratio is 85%; and \$4.18 PMPM (low) to \$6.26 PMPM (high) over the entire insured population based on research and analysis. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

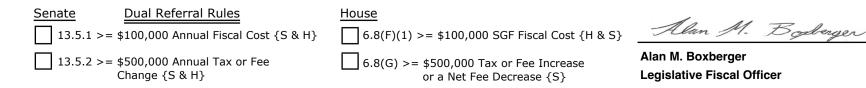
Aggregate Cost Determination*

Aggregate cost = exchange population x PMPM cost x 12 months FY 25 (Low) - 200,000 x \$4.18 PMPM x 12 months = \$10,032,000 FY 25 (High) - 200,000 x \$6.26 PMPM x 12 months = \$15,024,000 FY 26 (Low) - \$10,032,000 x 8% MI = \$10,834,560 FY 26 (High) - \$15,024,000 x 8% MI = \$16,225,920 FY 27 (Low) - \$10,834,560 x 8% MI = \$11,376,290 FY 27 (High) - \$16,225,920 x 8% MI = \$11,07,037,220 FY 28 (Low) - \$11,376,290 x 8% MI = \$11,945,100 FY 28 (High) - \$17,037,220 x 8% MI = \$17,889,080 FY 29 (Low) - \$11,945,100 x 8% MI = \$12,542,360 FY 29 (High) - \$17,889,080 x 8% MI = \$18,783,530 *Estimated claims expenditures and premium increases are rounded to the nearest thousand.

See EXPENDITURE EXPLANATION on page 2

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.



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n Cost-Sharing of Covered Prescription	ons Analyst	Patrice Thomas				
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CONTINUED EXPLANATION from page one:

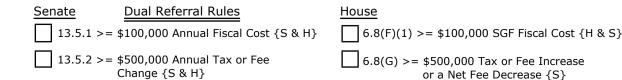
EXPENDITURE EXPLANATION Continued from page 1

PRIVATE INSURANCE IMPACT

Pursuant to R.S. 24:603.1, the information below is the projected impact of the proposed law on the private insurance market. Based upon an actuarial analysis prepared by LDI, the proposed law is anticipated to increase expenditures associated with claims by \$33.8 M - \$50.7 M and premium increases by \$39.8 M - \$59.4 M for private insurers and the insured in FY 25 with phase-up costs of an estimated \$42.3 M - \$63.4 M claims and \$49.9 M - \$74.2 M premiums by FY 29. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 675,000 (including 200,000 population in health exchanges) and the insured population is assumed to be stationary, entries equal exits; medical cost inflation (MI) is 8% in FY 26, then 5% in subsequent years; the premium loss ratio is 85%; and the **estimated cost is between \$4.18 PMPM and \$6.26 PMPM over the entire insured population, which represents an annual premium increase between 0.64% (low) to 0.96% (high) on an average monthly premium/PMPM of \$650. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:**

Aggregate Cost Determination*	Aggregate Extra Premium Determination*
(insured population x PMPM cost x 12 months x MI)	(PMPM cost x 12 months)/medical loss ratio x MI
FY 25 (Low) - 675,000 x 4.18×12 months = $33,858,000$	FY 25 (Low) - ($4.18 \times 12 \text{ months}$)/85% = 59
FY 25 (High) - 675,000 x 6.26×12 months = $50,706,000$	FY 25 (High) - ($6.26 \times 12 \text{ months}$)/85% = 88
FY 26 (Low) - \$33,858,000 x 8% MI = \$36,566,640	FY 26 (Low) - \$59 x 8% MI = \$64
FY 26 (High) - \$50,706,000 x 8% MI = \$54,762,480	FY 26 (High) - \$88 x 8% MI = \$95
FY 27 (Low) - \$36,566,640 x 5% MI = \$38,394,970	FY 27 (Low) - \$64 x 5% MI = \$67
FY 27 (High) - \$54,762,480 x 5% MI = \$57,500,600	FY 27 (High) - \$95 x 5% MI = \$100
FY 28 (Low) - \$38,394,970 x 5% MI = \$40,314,720	FY 28 (Low) - \$67 x 5% MI = \$70
FY 28 (High) - \$57,500,600 x 5% MI = \$60,375,630	FY 28 (High) - \$100 x 5% MI = \$105
FY 29 (Low) - \$40,314,720 x 5% MI = \$42,330,456	FY 29 (Low) - \$70 x 5% MI = \$74
FY 29 (High) - \$60,375,630 x 5% MI = \$63,394,412	FY 29 (High) - \$105 x 5% MI = \$110

*Estimated claims expenditures are rounded to the nearest thousand and premium increases are rounded to whole dollars.



Alan M. Boderger

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