



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 106** SLS 24RS 330
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 30, 2024	8:53 AM	Author: BARROW
Dept./Agy.: Insurance		
Subject: Mandates Coverage for Severe Obesity Treatment		Analyst: Patrice Thomas

HEALTH CARE RE INCREASE GF EX See Note Page 1 of 2
 Provides relative to obesity treatment. (8/1/24)

Proposed law requires all health insurance issuers to provide coverage for certain severe obesity treatments. Proposed law requires the covered insured to be at least 18 years of age to be eligible for bariatric surgery coverage and an issuer may request a covered person complete a pre-operative period before bariatric surgery. Proposed law provides an issuer may restrict services for bariatric surgery to certain facilities, and may require prior authorization for bariatric surgery. Proposed law provides this coverage does not apply to injectable drugs to lower glucose levels or any other prescribed weight loss drugs. Proposed law provides coverage for bariatric surgery may be limited to once per lifetime. Proposed law requires the prescribing physician to issue a written order verifying certain information. Proposed law provides for definitions. Proposed law is effective January 1, 2025, (new health coverage plans) and January 1, 2026, (existing health coverage plans).

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						
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

Proposed law is anticipated to increase SGF expenditures in the health care exchanges by \$696,000 to \$1.7 M beginning in FY 25 and increasing to \$1.5 M to \$3.7 M in subsequent fiscal years (plus annual medical inflation growth) according to an analysis provided by the LA Department of Insurance (LDI) actuary. Under the Affordable Care Act (ACA), any state benefit mandate, through legislative or regulatory action, that exceeds what is considered an essential health benefit (EHB) would subject the state to defrayal costs. The proposed law would be considered a state benefit mandate; therefore, the state may be required to make payments to defray the cost of additional required benefits specified under this proposed law. Furthermore, the proposed law will increase claims expenditures for the health insurance industry by an estimated \$2.3 M - \$5.8 M, and increase premiums by \$2.8 M - \$6.8 M for private insurers and the insured in FY 25 (see Expenditure Explanation on page 2).

Insurance Exchanges Impact (State General Fund Defrayal Impact)

Proposed law will increase SGF expenditures beginning in FY 25 and subsequent fiscal years according to an analysis provided by the LDI health actuary. The state would be required to refund health claims expenditures associated with providing coverage for bariatric surgery for policies issued by qualified health plans through the health insurance exchange beginning in FY 25 with estimated claims costs totaling approximately \$696,000 to \$1.7 M SGF and a potential phase-up of \$1.7 M to \$4.3 M SGF by FY 29. 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 200,000 and the insured population is assumed to be stationary; medical cost inflation (MI) is 8% in FY 26, then 5% in subsequent years; the premium loss ratio is 85%; and the estimated cost for genetic testing is between \$0.58 PMPM (low) and \$1.44 PMPM (high) on an average \$650 monthly premium over the entire insured population based on research and analysis.

See EXPENDITURE EXPLANATION on page 2

REVENUE EXPLANATION

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

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 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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 Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION continued from page 1

Aggregate Cost Determination*

Aggregate cost = exchange population x PMPM cost x 12 months

FY 25 (Low) - 200,000 x \$0.58 PMPM x 12 months = \$1,392,000 (\$ 696,000 for 6 months)
FY 25 (High) - 200,000 x \$1.44 PMPM x 12 months = \$3,456,000 (\$1,728,000 for 6 months)

FY 26 (Low) - \$1,392,000 x 8% MI = \$1,503,360
FY 26 (High) - \$3,456,000 x 8% MI = \$3,732,480

FY 27 (Low) - \$1,503,360 x 5% MI = \$1,578,530
FY 27 (High) - \$3,732,480 x 5% MI = \$3,919,100

FY 28 (Low) - \$1,578,530 x 5% MI = \$1,657,460
FY 28 (High) - \$3,919,100 x 5% MI = \$4,115,060

FY 29 (Low) - \$1,657,460 x 5% MI = \$1,740,330
FY 29 (High) - \$4,115,060 x 5% MI = \$4,320,810

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

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 \$2.3 M - \$5.8 M and premium increases by \$2.8 M - \$6.8 M for private insurers and the insured in FY 25 with phase-up costs of an estimated \$5.9 M - \$14.6 M claims and \$6.9 M - \$17.1 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 \$0.58 PMPM and \$1.44 PMPM over the entire insured population, which represents an annual premium increase between 0.09% (low) to 0.22% (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*

(insured population x PMPM cost x 12 months x MI)

FY 25 (Low) - 675,000 x \$0.58 x 12 months = \$ 4,698,000
FY 25 (High) - 675,000 x \$1.44 x 12 months = \$11,664,000

FY 26 (Low) - \$ 4,698,000 x 8% MI = \$ 5,073,840
FY 26 (High) - \$11,664,000 x 8% MI = \$12,597,120

FY 27 (Low) - \$ 5,073,840 x 5% MI = \$ 5,327,530
FY 27 (High) - \$12,597,120 x 5% MI = \$13,226,980

FY 28 (Low) - \$ 5,327,530 x 5% MI = \$ 5,593,910
FY 28 (High) - \$13,226,980 x 5% MI = \$13,888,330

FY 29 (Low) - \$ 5,593,910 x 5% MI = \$ 5,873,606
FY 29 (High) - \$13,888,330 x 5% MI = \$14,582,747

*Estimated claims expenditures are rounded to the nearest thousand.

Aggregate Extra Premium Determination

(PMPM cost x 12 months)/medical loss ratio x MI

FY 25 (Low) - (\$0.58 x 12 months)/85% = \$ 8.20
FY 25 (High) - (\$1.44 x 12 months)/85% = \$20.30

FY 26 (Low) - \$ 8.20 x 8% MI = \$ 8.90
FY 26 (High) - \$20.30 x 8% MI = \$21.90

FY 27 (Low) - \$ 8.90 x 5% MI = \$ 9.30
FY 27 (High) - \$21.90 x 5% MI = \$23.00

FY 28 (Low) - \$ 9.30 x 5% MI = \$ 9.80
FY 28 (High) - \$23.00 x 5% MI = \$24.20

FY 29 (Low) - \$ 9.80 x 5% MI = \$10.30
FY 29 (High) - \$24.20 x 5% MI = \$25.40

Senate

Dual Referral Rules

House

- [x] 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
[] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

- [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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