

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 467** HLS 25RS 885
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 20, 2025	3:10 PM	Author: HILFERTY
Dept./Agy.: Insurance/Health		
Subject: Required coverage for amino acid-based elemental formulas		Analyst: Anthony Shamis

INSURANCE/HEALTH RE INCREASE GF EX See Note Page 1 of 2
 Requires health insurance coverage for amino acid-based elemental formulas

Proposed law requires all health insurance issuers, including Medicaid offering health coverage plans that provide benefits for maternity services to provide coverage for amino acid-based elemental formulas, regardless of delivery method, to treat a child aged two years or younger that has been diagnosed by a board certified allergist or gastroenterologist. However, the treating physician must issue a written order stating that such treatment is medically necessary to treat the child for the conditions specified in this legislation. Coverage shall be no less favorable than the basis on which prescription drugs and other medications and related services are covered by the plan, including drugs that are available by orders of a doctor. A health plan may have a utilization review agent review the doctor's determination of the medical necessity. Proposed law applies to any new policy, contract, or health coverage plan issued on or after the January first immediately following the effective date of this measure. Any policy, contract, or health coverage plan in effect prior to the January first immediately following the effective date of this Act shall convert to conform to the provisions of this Act on or before the renewal date or prior to the three hundred fifty-ninth day following January first in which this Act becomes applicable. Proposed law shall become effective when an Act of the Legislature containing a specific appropriation for the implementation of the provisions of this Act becomes effective.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total

EXPENDITURE EXPLANATION

Proposed law will increase expenditures in the Louisiana Department of Health's (LDH), Medicaid program by \$1.5 M, Self-Generated expenditures in the Office of Group Benefits (OGB) by \$10,433, as well as may increase State General Fund expenditures associated with mandates to health insurance policies issued under the insurance exchanges by \$1.8 M beginning in FY 26 (assuming a start date of 1/01/26) and increasing costs projected in subsequent fiscal years. Furthermore, proposed law will increase claims expenditures for the health insurance industry by an estimated \$2.3 M and premiums by an estimated \$2.6 M in FY 26 to include coverage for amino acid-based elemental formulas when a child has been diagnosed by a certified allergist or board certified gastroenterologist. The treating physician must issue a written order that such formula is medically necessary to treat covered children ages two and younger.

LDH Department of Health - \$1,493,357 (SGF, Stat Ded, and Federal Impact)

LDH anticipates an increase in Medicaid expenditures of \$1,493,357 in FY 26 (6 months), \$2,986,713 in FY 27 with 3% expenditure growth in the out-years. The estimate is based on the following assumptions: (1) A monthly utilization of 675 units of formula per eligible beneficiary. (2) Total monthly cost per beneficiary was calculated (\$1.53 * 675 units = \$1,032.75), (3) Total annual cost per beneficiary was calculated (\$1,032.75/month * 12 months = \$12,393). (4) The eligible sample size was determined to be 3,441 recipients. (5) 7% initial uptake based on initial population (3,441 * 7% = 241). (6) A 3% growth in out years.
 Calculation: 3,441 * 7% uptake = 241 * \$12,393 = \$2,986,713 (Initial annual cost)


Office of Group Benefits Impact - \$20,865 - \$41,730 (Self-Generated Revenue Impact)

OGB estimates that this legislation may increase OGB medical claims expenditures to provide coverage for amino acid-based elemental formulas for children aged two years or younger to OGB self-funded health plan members if by a board certified gastroenterologist or allergist, and the treating physician issues written orders that such formula is medically necessary to treat covered infants or children for the conditions specified by this legislation, at a cost ranging from \$0.01 to \$0.02 per member per month (PMPM) for OGB's self-funded health plan population. Based on the assumptions listed below, the expenditures required by this legislation are listed below: **See EXPENDITURE EXPLANATION on page 2**

REVENUE EXPLANATION

Proposed law will result in an increase in Statutory Dedicated Medical Assistance Trust Fund (MATF) revenues within LDH, Medicaid program as a result of premium tax collections of 5.5% of Healthy LA Managed Care expenditures. The office of Group. OGB does not anticipate the proposed law to require premium increases, therefore there is no impact to Self-Generated revenues collected from premiums. OGB has indicated the estimated costs associated with the amino acid-based elemental formula may be absorbed by the existing fund balance reserve.

<p><u>Senate</u> <u>Dual Referral Rules</u></p> <p><input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p>	<p><u>House</u></p> <p><input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p>
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Patrice Thomas
 Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

Table with 7 columns: Category, FY 25-26*, FY 26-27, FY 27-28, FY 28-29, FY 29-30, Total. Rows for Low and High estimates.

The expenditure estimate is based upon the following assumptions: (1) As of 4/01/2025, the current OGB membership in the self-funded health plans is 169,635 (excluding Medicare primary members) and membership will remain constant. (2) The coverage will become effective on 7/01/2025. (3) No change in OGB self-funded health plan membership in future fiscal years from current levels. (4) The PMPM cost estimate provided by BCBSLA ranges from \$0.01 PMPM (low) to \$0.02 PMPM (high). (5) In future fiscal years, a medical inflation factor of 2.5%, based on Consumer Price Index data for medical care in the Southern United States through the end of 2024.

Expenditure Calculations
Expenditure Calculations = membership population x PMPM cost x 12 months
Base Cost (Low) = \$ 20,356 = 169,635 x \$0.01 x 12 months
Base Cost (High) = \$ 40,712 = 169,635 x \$0.02 x 12 months
FY 26 (Low) = \$ 20,865 = \$ 20,356 x 2.5% MI (\$10,433 for 6 months)
FY 26 (High) = \$ 41,730 = \$ 40,712 x 2.5% MI (\$20,865 for 6 months)
FY 27 (Low) = \$ 21,387 = \$ 20,865 x 2.5% MI
FY 27 (High) = \$ 42,773 = \$ 41,730 x 2.5% MI

Insurance Exchanges Impact (State General Fund Defrayal Impact)

Proposed law will increase SGF expenditures beginning in FY 26 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 amino acid-based elemental formulas for policies issued by qualified health plans through the health insurance exchange beginning in FY 26 with estimated claims costs totaling approximately \$1,800,000 to \$3,600,000 SGF. 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 300,000 and the insured population is assumed to be stationary; medical cost inflation is 8%, then 5% thereafter; the premium loss ratio is 85%. The estimated cost for amino acid-based elemental formulas is between \$0.5 PMPM (low) and \$1.0 PMPM (high) on an average \$1,200 monthly premium over the entire insured population based on research and analysis.

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 \$4.5 M - \$9 M and premium increases by \$5.3 M - \$10.6 M for private insurers and the insured in FY 26 with phase-up costs of an estimated \$5.6 M - \$11.3 M claims and \$6.6 M - \$13.2 M premiums by FY 30. LDI bases this analysis on the following assumptions: the calculations are on a fiscal year basis; the exchange population is approximately 750,000 and the insured population is assumed to be stationary, entries equal exits; medical cost inflation (MI) is 8% in FY 26 and 5% thereafter; the premium loss ratio is 85%; and the estimated cost is between \$0.50 PMPM and \$1.00 PMPM over the entire insured population, which represents an annual premium increase between 0.04% (low) to 0.08% (high) on an average monthly premium/PMPM of \$1,200. Based upon the aforementioned assumptions, the estimated annual cost increases for insurance providers associated with claims are as follows:

Aggregate Cost Determination

Aggregate cost = PMPM x (Number of Policies) x 12 months
FY 26 (Low) - 750,000 x \$0.50 PMPM x 6 months = \$2,250,000
FY 26 (High) - 750,000 x \$1.00 PMPM x 6 months = \$4,500,000
*6 months in FY 26
FY 27 (Low) - 750,000 x \$0.50 PMPM x 12 months + 8% = \$4,860,000
FY 27 (High) - 750,000 x \$1.00 PMPM x 12 months + 8% = \$9,720,000

Premium Increase Determination

Aggregate premium for the requirement in a given fiscal year = Aggregate Cost / Loss Ratio
FY 26 (Low) = \$4,500,000 / 0.85 = \$5,294,118
FY 26 (High) = \$9,000,000 / 0.85 = \$10,588,235
FY 27 (Low) = \$4,860,000 / 0.85 = \$5,717,647
FY 27 (High) = \$9,720,000 / 0.85 = \$11,435,294

Aggregate Extra Premium Determination

Annual premium increase per policy in a given fiscal year = (PMPM X 12 Months) / Loss Ratio
FY 26 (Low) = (0.50 x 12) / 0.85 = \$7.06
FY 26 (High) = (1.00 x 12) / 0.85 = \$14.12
FY 27 (Low) = (0.50 x 12) / 0.85 + 8% = \$7.62
FY 27 (High) = (1.00 x 12) / 0.85 + 8% = \$15.25

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}

Signature of Patrice Thomas
Patrice Thomas
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