



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 1235** HLS 26RS 2376
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.: HB 477

Date: May 1, 2026	8:43 AM	Author: HEBERT
Dept./Agy.: Insurance/Health/Group Benefits		Analyst: Anthony Shamis
Subject: Prosthetic and custom orthotic devices and Services		

INSURANCE/HEALTH RE1 INCREASE EX See Note Page 1 of 2
 Modifies provisions of law regarding health insurance coverage of prosthetic and custom orthotic devices and services

Present law requires health coverage plans to provide coverage for prosthetic devices and custom orthotic devices and related services. Proposed law revises provisions governing medical necessity determinations to require consideration of recommendations from the treating physician or advanced practice provider, including the results of a functional assessment. Proposed law requires health coverage plans to provide coverage for an additional upper or lower extremity prosthetic or orthotic device when medically necessary for physical activity, bathing, showering, or maintaining whole-body health. Proposed law authorizes the use of prior authorization in the same manner as for other covered benefits, provided such procedures are applied in a nondiscriminatory manner. Proposed law requires health coverage plans to provide coverage for the repair or replacement of prosthetic and orthotic devices, subject to specified criteria. Proposed law requires health coverage plans subject to this measure to report to the Commissioner of Insurance, on a form prescribed by the commissioner, their experience pursuant to the provisions of this legislation for plan years 2027-2028. Proposed law requires coverage by the Office of Group Benefits (OGB) and Medicaid. Proposed law applies to any new health coverage plan delivered, issued for delivery, or otherwise contracted in this state on or after January 1, 2027. Any health coverage policy, contract, or plan in effect prior to January 1, 2027, shall conform to the provisions of this measure no later than January 1, 2028. Proposed law becomes effective upon signature of the governor or upon lapse of the time for gubernatorial action.

EXPENDITURES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	2026-27	2027-28	2028-29	2029-30	2030-31	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 is anticipated to result in an indeterminable increase in expenditures in FY 27, with costs increasing in future fiscal years. Proposed law will increase SGR claims expenditures by \$20,542 to \$174,608 within the Office of Group Benefits (OGB), as well as an estimated increase in SGF expenditures by \$5.9 M to \$10.8 M for six months (effective date of 1/01/27) in FY 27 associated with a mandate on health insurance policies issued through the insurance exchanges, with costs increasing in FY 28 and subsequent fiscal years to reflect a full 12 months of implementation. 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 Louisiana Department of Health indicates no impact on expenditures, as Medicaid currently provides coverage for prosthetic and custom orthotic devices and services.

OGB (\$20,542 - \$174,608 SGR):

OGB's medical Third Party Administrator (TPA) estimates that this legislation may increase OGB claims expenditures in order to allow access to higher-end prosthetic devices and additional prosthetics designed for other purposes than are currently covered, at an estimated cost of \$0.02 to \$0.17 PMPM for the self-funded population, excluding Medicare-primary members. Based upon the assumptions listed below, the expenditures to allow access to the required prosthetic and custom orthotic devices and services are as follows:

	FY 26-27*	FY 27-28	FY 28-29	FY 29-30	FY 30-31	Total
Low	\$ 20,542	\$ 41,988	\$ 42,912	\$ 43,856	\$ 44,821	\$ 194,119
High	\$174,608	\$356,898	\$364,750	\$372,775	\$380,976	\$1,650,007

*FY 27 expenditures have been pro-rated to reflect the 1/01/27 benefit coverage effective date.

Unless OGB Fund Balance is utilized, an SGF appropriation will be required to cover the state portion of the increase in premium costs. Regardless, SGF makes up approximately 42% of premium collections. As of 1/31/26, OGB reports a \$406 M fund balance. The expenditure estimate is based upon requirements of the proposed law as well as the following assumptions: (1) as of 4/01/26, the current OGB member population in the five self-funded health plans is 167,499 (excluding Medicare primary members) and membership will remain constant, (2) Medicare-primary plan members are excluded from the calculations, (3) OGB will rely on the low-end and high-end PMPM cost estimates provided by Louisiana Blue, (4) the coverage will become effective on 1/01/27, and (5) in future fiscal years, a medical inflation factor of 2.2% is applied, based on Consumer Price Index data for medical care in the Southern United States through the end of 2025.

EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

If claims expenditures cannot be absorbed by OGB's actuarially recommended target fund balance amount of \$309 M, it may be required to decrease or eliminate benefits currently available to participants of OGB's health benefit and life insurance programs, or seek additional revenue, either in the form of a direct appropriation from SGF, or by an increase in OGB's SGR through a premium rate increase for OGB's self-funded health plans.

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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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

Based on the aforementioned methodology, the PMPM cost estimates a range from a low of \$0.02 PMPM to a high of \$0.17 PMPM, and a medical inflation (MI) factor of 2.2% compounding annually. Below are expenditure calculations utilized to project the cost within OGB utilizing the assumptions listed above.

Expenditure Calculations

Expenditure Calculations = membership population x PMPM cost x 12 months

Base Cost (Low) = \$ 40,200 = 167,499 x \$0.02 x 12 months

Base Cost (High) = \$341,698 = 167,499 x \$0.17 x 12 months

FY 27 (Low) = \$ 41,084 = \$ 40,200 x 2.2% MI (\$ 17,140 SGF)

FY 27 (High) = \$349,215 = \$341,698 x 2.2% MI (\$145,686 SGF)

FY 28 (Low) = \$ 41,988 = \$ 41,084 x 2.2% MI (\$ 17,517 SGF)

FY 28 (High) = \$356,898 = \$349,215 x 2.2% MI (\$148,891 SGF)

FY 29 (Low) = \$ 42,912 = \$ 41,988 x 2.2% MI (\$ 17,902 SGF)

FY 29 (High) = \$364,750 = \$356,898 x 2.2% MI (\$152,167 SGF)

FY 30 (Low) = \$ 43,856 = \$ 42,912 x 2.2% MI (\$ 18,296 SGF)

FY 30 (High) = \$372,775 = \$364,750 x 2.2% MI (\$155,515 SGF)

FY 31 (Low) = \$ 44,821 = \$ 43,856 x 2.2% MI (\$ 28,127 SGF)

FY 31 (High) = \$380,976 = \$372,775 x 2.2% MI (\$328,146 SGF)

Note: A full 12 months was used for FY 27 to calculate medical inflation in the out-years.

Insurance Exchange Impact (\$5.9 M - \$10.8 M SGF - Defrayal Costs):

Proposed law is anticipated to increase SGF expenditures in FY 27 and subsequent fiscal years according to an analysis provided by the health actuary at LDI. The state would be required to fund health claims expenditures associated with providing coverage for prosthetic and custom orthotic devices and services as required by the proposed law for policies issued by qualified health plans through the health insurance exchange beginning in FY 27 (effective date of 1/01/27) with estimated claims costs of \$5.9 M (low) to \$10.8 M (high). Defrayal costs associated with the proposed law would be paid out by the State Treasury Department. LDI bases this analysis on the following assumptions: (1) Required coverage applicable to policies issued on and after January 1, 2027, and renewal conversions occurring no later than January 1, 2028. (2) Assumed 60 individuals will require new prosthetics annually with costs ranging from \$45,000 - \$75,000 per device. (3) Assumed 595 to 860 individuals will require maintenance and repairs annually with costs ranging from \$2,000 - \$4,000 per individual. Assumed 9,000 - 8,000 individuals will require orthotics with costs ranging from \$465 to \$940 per individual. (4) FY 27 is prorated for six months. (5) The exchange population is expected to be approximately 300,000. (6) Prosthetics utilization is assumed to increase by 2.9% annually, with no increase in orthotics.

	FY 26-27*	FY 27-28	FY 28-29	FY 29-30	FY 30-31	Total
Low	\$ 5,900,000	\$12,500,000	\$13,200,000	\$14,100,000	\$14,900,000	\$ 60,600,000
High	\$10,800,000	\$23,400,000	\$25,300,000	\$27,400,000	\$29,600,000	\$116,500,000

*FY 27 expenditures have been pro-rated to reflect the 1/01/27 benefit coverage effective date.

Estimate of Potential Long-Term Healthcare Cost Changes

Short-term costs are expected to increase. Long-term effects may include improved outcomes and reduced disability; however, such effects are uncertain and not directly quantifiable. Cost increases for prosthetic devices are expected to be driven by increased utilization, while cost increases for orthotic devices are expected to be driven by price volatility associated with greater customization of covered devices.

Note: The LFO cannot independently corroborate the expenditure estimate provided by LDI's health actuary. To the extent that actual experience differs from the assumptions used in this fiscal note, the resulting fiscal impact may vary.

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