

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 318** HLS 08RS 914
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 11, 2008 2:46 PM	Author: KLECKLEY
Dept./Agy.: Office of Group Benefits (OGB)	Analyst: Travis McIlwain
Subject: Coverage for prosthetic devices and services	

INSURANCE/HEALTH EN SEE FISC NOTE GF EX Page 1 of 2
 Requires health insurance coverage of prosthetic devices and prosthetic services

Proposed legislation requires any health coverage plan issued for delivery, delivered, renewed, or otherwise contracted for in this state on or after January 1, 2009 to provide coverage for prosthetic devices and prosthetic services notwithstanding the provisions of R.S. 22:230.5. Proposed legislation provides that limits for coverage for prosthetic devices and services shall be determined by the health coverage plan, based on medical necessity. The bill provides that such health coverage plans may require prior authorization for prosthetic devices and services, and provides for the imposition of co-payments, deductibles, or coinsurance amounts that are no more restrictive than those for all other plan benefits. The bill provides that the coverage for prosthetics and services shall be no less than \$50,000 per limb. The bill defines prosthetic device or prosthesis as an artificial medical device that is not surgically implanted and is used to replace a missing limb. The definition does not include artificial eyes, ears, noses, dental appliances, ostomy products, or devices such as eyelashes or wigs. The bill becomes effective upon signature of the governor, or after the lapse of time for gubernatorial action.

EXPENDITURES	2008-09	2009-10	2010-11	2011-12	2012-13	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2008-09	2009-10	2010-11	2011-12	2012-13	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The expenditures of OGB will not increase as a result of this measure. The current plans offered by OGB provide coverage for medically necessary prosthetic devices and services the same as for all other medical conditions.

The actuary for the Department of Insurance (DOI) estimates that the costs to the **private insurance industry** statewide to provide coverage for medically prescribed prosthetic devices and prosthetic services will range from \$7 million to \$14 million for 6 months in FY 09, and increase to \$7 million to \$15 million in FY 10. Subsequent fiscal years, beginning in FY 11 are anticipated to range from \$8 million to \$16 million per year. The estimates are based on the following assumptions:

- 1) 1.7 million insured individuals in the state of Louisiana covered by group health insurance;
- 2) An average of 2 lives covered by each plan (850,000 policies);
- 3) Health care service recipients as a result of the proposed legislation are new amputees and existing amputees in need of replacement services;
- 4) Basic prosthetic coverage is standard in the majority of group health policies for vascular related amputations below the knee;
- 5) The major benefit of the proposed legislation is for nonvascular related amputations above the knee and/or arm, which are more complex and require more expensive prosthetic devices and services;
- 6) Both the annual incidence and prevailing rates of nonvascular amputations are 6 (low) and 52 (high) per 100,000 (source: Amputee Coalition of America);
- 7) Existing equipment must be replaced once every 5 years (factor of 0.2)
- 8) Standard annual coverage for prosthetics is \$25,000, and that more sophisticated equipment costs between \$25,000 and \$50,000 more than standard coverage;
- 9) The annual group health insurance premium cost per policy is \$10,000 for 2 lives;
- 10) Medical inflation is 5% per year (2.5% for 6 months in FY 09).

(Continued Pg. 2)

REVENUE EXPLANATION

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

Senate Dual Referral Rules
 13.5.1 >= \$500,000 Annual Fiscal Cost

House
 6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Robert E. Hosse
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LFO Staff Director

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CONTINUED EXPLANATION from page one:

Expenditure Calculations

The total annual extra claim cost for new incidences equals [1.7 million X incidence X equipment cost]
The total annual extra claim cost for prevailing cases equals [1.7 million X prevalence X equipment cost X 0.2]
The total annual extra claim cost equals the sum of the new incidences and the prevailing costs rounded to the nearest million
FY 09 incidence cost (low): 1.7 million X 6/100,000 X \$25,000=\$2,550,000
FY 09 incidence cost (high): 1.7 million X 6/100,000 X \$50,000=\$5,100,000
FY 09 prevailing cost (low): 1.7 million X 52/100,000 X \$25,000 X 0.2=\$4,420,000
FY 09 prevailing cost (high): 1.7 million X 52/100,000 X \$50,000 X 0.2=\$8,840,000
FY 09 total cost (low): \$2,550,000 + \$4,420,000=\$6,970,000 (rounded=\$7 million)
FY 09 total cost (high): \$5,100,000 + \$8,840,000=\$13,940,000 (rounded=\$14 million)

Revenue Calculations

The total annual extra premium cost equals the total annual claim cost divided by 0.85 (standard loss ratio), rounded to the nearest million
FY 09 total premium cost (low): \$6,970,000 / 0.85=\$8,200,000 (rounded=\$8 million)
FY 09 total premium cost (high): \$13,940,000 / 0.85=\$16,400,000 (rounded=\$16 million)
All subsequent year calculations use FY 09 totals inflated forward by 5%
FY 09 percentage extra premium cost equals the total premium cost divided by the number policies and premium per policy
FY 09 premium percentage increase (low): \$8,200,000 / (850,000 X \$10,000)=0.1% (\$10/policy per year or \$0.83/policy per month)
FY 09 premium percentage increase (high): \$16,400,000 / (850,000 X \$10,000)=0.2% (\$20/policy per year or \$1.67/policy per month)

Senate Dual Referral Rules
[] 13.5.1 >= \$500,000 Annual Fiscal Cost
[] 13.5.2 >= \$500,000 Annual Tax or Fee Change

House
[] 6.8(F) >= \$500,000 Annual Fiscal Cost
[] 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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