LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 693** HLS 12RS 1012

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 17, 2012 7:04 PM **Author:** CROMER

Dept./Agy.: Office of Group Benefits (OGB)

Subject: Orally administered anticancer medications **Analyst:** Travis McIlwain

INSURANCE/HEALTH OR INCREASE GF EX See Note

Provides for parity for orally administered anti-cancer medications

Proposed legislation provides that every person within the state with health insurance coverage that provides coverage for cancer treatment shall have the right, with his physician, to the type of covered medication used to treat his cancer, as such a decision affects the person's overall, long-term health and quality of life. Proposed legislation declares that orally administered anticancer medications, although very effective in killing or slowing the growth of cancerous cells, have high out-of-pocket costs to the covered person, impacting the decision of physicians to prescribe such medications, thus restricting patient access to life-saving oral cancer medications. Proposed legislation provides that health insurance coverage of orally administered anti-cancer medications shall not be subject to any prior authorization, dollar limit, copayment, deductible or other out-of-pocket expense that does not apply to intravenously administered or injected cancer medications, regardless of formulation or benefit category determination by the health insurance issuer. Effective January 1, 2013.

EXPENDITURES	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	INCREASE	INCREASE	SEE BELOW	SEE BELOW	
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	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**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

Although there is no anticipated direct material effect on the expenditures of the Office of Group Benefits (OGB), the proposed legislation is anticipated to result in a significant but indeterminable state cost increase in FY 14, FY 15 and potentially in future fiscal years as a result of the federal health care reform legislation enacted in March 2010.

According to the OGB, there is no fiscal impact anticipated since under the OGB's plan oral anticancer medications are currently treated the same as intravenous or injected anticancer medications. However, due to the provisions of the federal Affordable Care Act (ACA) that requires the state to defray the costs of state-mandated benefits in qualified health plans in excess of the essential health benefits, there will be a significant indeterminable state cost as a result of the proposed legislation. Under the provisions of the ACA, any changes to existing health insurance mandates or if any new health insurance mandates are enacted after December 2011, the state would be required to pay for those costs outside the essential health benefits within the health insurance exchange. The LFO is unable to determine at this time what specific state agency would be required to cover such costs.

For illustrative purposes, the health actuary for the Department of Insurance (DOI) estimates that the costs to the private insurance industry (including those covered in the health insurance exchange) to provide the additional benefit will range from $5.7 million to $15.9 million in FY 14 and $6.0 million to $17.5 million in FY 15. Based upon estimates by the Department of Health & Hospitals (DHH) there may be approximately 600,000 to 800,000 individuals in Louisiana that may buy their health insurance within the exchange. To the extent those individuals are not currently covered by the OGB, based upon the actuarial analysis by the DOI, **the state may be required to cover approximately 32% to 42% of the overall impact of this measure, which equates to $1.8 million to $6.7 million in FY 14 increasing to $1.9 million to $7.4 million in FY 15**. Subsequent fiscal year impact is indeterminable as the U.S. Department of Health & Human Services will reevaluate essential health benefits, which may result in changes to the current federal requirement that the state pay for the costs of the new mandates enacted after December 2011.

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REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues of the Office of Group Benefits (OGB) as a result of this measure.

Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		[ ] 6.8(F)1 >= $500,000 Annual Fiscal Cost {S}
[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

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Staff Director

CONTINUED EXPLANATION from page one:

The DOI health actuarial estimates are based upon the following assumptions:
1.) 4.3 million total population in Louisiana;
2.) 1.7 million insured persons in the state of Louisiana;
3.) An average of 2 covered persons per policy (850,000);
4.) That the projected number of Louisiana cancer deaths in 2012 is 9,150;
5.) That the number of insured receiving treatment is proportional to the population receiving treatment, which is calculated to be 3,167 (low) [(9,150 x 1.7 million)/4.3 million];
6.) That the high number receiving treatment is 100% greater (double) than the low estimate, or 7,234 (3,167 x 2 = 7,234);
7.) That the annual out-of-pocket costs are assumed to be between $1,500 and $2,000;
8.) That medical cost inflation is assumed to be between 5.0% to 10.0%;
9.) That the annual insurance premium cost is assumed to be $15,000;
10.) That the proposed bill is effective January 1, 2013, which is half a state fiscal year in FY 13.

Expenditure Calculations
Benefit cost = number of Louisiana insured receiving treatment x out-of-pocket cost x medical inflation

FY 14 (low): 3,617 x $1,500 x 1.05 = $5.7 million
FY 14 (high): 7,234 x $2,000 x 1.1 = $15.9 million

FY 15 (low): 3,617 x $1,500 x 1.05 x 1.05 = $6.0 million
FY 15 (high): 7,234 x $2,000 x 1.1 x 1.1 = $17.5 million