

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 771** HLS 12RS 389  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 17, 2012 7:06 PM	<b>Author:</b> FOIL
<b>Dept./Agy.:</b> Office of Group Benefits	<b>Analyst:</b> Travis McIlwain
<b>Subject:</b> Autism Health Insurance Mandate	

INSURANCE/HEALTH OR INCREASE GF EX See Note Page 1 of 2  
 Provides relative to the mandate for coverage of diagnosis and treatment of autism spectrum disorders

Proposed law raises the age for mandated health insurance coverage of autism spectrum disorders from 17 to 21, eliminates the lifetime maximum benefit of \$144,000, provides relative to supervision of treatment and repeals R.S. 22:1050(H)(1.) and (2.), which were provisions that limit this mandate not be applied to small businesses with fewer than 50 individuals.

<b>EXPENDITURES</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

The expenditures of OGB will increase as a result of this measure. Act 648 of the 2008 Regular Legislative Session provides for the mandated health insurance coverage of Applied Behavior Analysis for children up to age 17, a lifetime maximum of \$144,000 and excludes small businesses with fewer than 50 individuals. The fiscal impact to OGB is a result of increasing the age of coverage from age 17 to age 21 and increasing those currently covered under the age of 17 to the age of 21. The expenditures are anticipated to increase as follows:

<u>FY 12-13</u>	<u>FY 13-14</u>	<u>FY 14-15</u>	<u>FY 15-16</u>	<u>FY 16-17</u>
\$47,078 to \$65,190	\$48,391 to \$70,139	\$50,817 to \$77,097	\$52,183 to \$82,870	\$54,402 to \$90,430

The OGB estimates are based upon the following assumptions:

- 1.) That in 2011 OGB paid \$773,304 for 299 claims for the current autism treatment;
- 2.) That the average claim in 2011 is \$2,586 (\$773,304/299 = \$2,586);
- 3.) That a low medical inflation of costs is 7% and a high medical inflation of costs is 12%;
- 4.) That there are 219,317 members within the PPO and HMO plans currently;
- 5.) That approximately 0.14% of the eligible population will get treated for coverage (299 claims/219,317=0.14%);
- 6.) The following child members by age in 2012 are as follows: 12 years old - 2,492, 13 years old - 2,475, 14 years old - 2,722, 15 years old - 2,592, 16 years old - 2,763, 18 years old - 2,930, 19 years old - 3,051;
- 7.) That the calculated low and high incidence rates are based upon 0.14% of the current number of children and those incidence rates range from 15.89 children to 20.01 children being treated annually.

NOTE: A State General Fund appropriation shall be required to cover the state portion, 66.7%, of the increased premium cost to add the additional benefit pursuant to proposed legislation (estimated to be \$31,401 to \$43,482 in FY 13 and increasing to \$36,286 to \$60,317 in FY 17 for a 5-year SGF cost range of \$168,665 to \$257,279.

**REVENUE EXPLANATION**

The revenues for OGB will increase as a result of this measure. Using a medical loss ratio of 85, the revenue increase required by the OGB to cover the cost of this benefit is as follows:

<u>FY 12-13</u>	<u>FY 13-14</u>	<u>FY 14-15</u>	<u>FY 15-16</u>	<u>FY 16-17</u>
\$55,386 to \$76,694	\$56,930 to \$82,516	\$59,785 to \$90,702	\$61,392 to \$97,494	\$64,003 to \$106,388

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	<i>Evan Brasseaux</i>	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	<b>Evan Brasseaux</b> Staff Director	

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 771** HLS 12RS 389  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 17, 2012 7:06 PM	<b>Author:</b> FOIL
<b>Dept./Agy.:</b> Office of Group Benefits	<b>Analyst:</b> Travis McIlwain
<b>Subject:</b> Autism Health Insurance Mandate	

**CONTINUED EXPLANATION from page one:**

In addition to the OGB costs, the proposed legislation is anticipated to result in a significant but indeterminable overall 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. 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 \$34 million to \$85 million in FY 14 and in subsequent fiscal years. 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 \$11 million to \$36 million in FY 14 and 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.

The DOI health actuarial estimates are based upon the following assumptions:

- 1.) 1.9 million insured persons in the state of Louisiana (includes individual health insured that were previously excluded of which is estimated to be approximately 200,000 additional individuals);
- 2.) An average of 2 covered persons per policy (950,000);
- 3.) That 21.1% of the insured population is between ages 2 through 16;
- 4.) That 27.2% of the insured population is between ages 2 through 20;
- 5.) That 5.6% of the insured population is between ages 2 through 5;
- 6.) A low incidence rate of 0.2% (1 in 500) and a high incident rate of 0.5% (1 in 200), which is based upon autism rate between 2 and 5 per 1,000;
- 7.) That all who qualify use the entire amount of service available, which is \$36,000;
- 8.) That the current law sets a lifetime maximum benefit of \$144,000, which is fully utilized in 4 years by those impacted;
- 9.) That the original cohorts have used up original benefit (from January 1, 2009 to January 1, 2012);
- 10.) That the only newly established cases in the last 4 years are ages 2 through 5;
- 11.) That the current law did not impact groups with less than 50 employees and now the proposed law now impacts this group;
- 12.) That 45% of the census is in groups with more than 50 employees;
- 13.) That the existing annual insurance premium cost is approximately \$15,000;
- 14.) That the proposed bill is effective January 1, 2013, which is half a state fiscal year in FY 13;
- 15.) That there is no medical inflation due to the assumption that all those eligible for treatment will utilize all annual benefit amount;
- 16.) That the cost of the proposed legislation is the difference between cost determination of existing law and cost determination of proposed law.

**EXPENDITURE CALCULATIONS (PRIVATE INSURANCE)**

Existing Law Calculation: (insured lives) x (age 2 to 5) x (% in groups greater than 50) x (incidence rate) x (annual cost)

Proposed Law Calculation: (insured lives) x (age 2 to 20) x (incidence rate) x (annual cost)

Private Insurance Fiscal Impact: (existing law calculation - proposed law calculation)

FY 13 (low) Existing Law Calculation: 1.7 million x 0.056 x 0.45 x 0.002 x \$36,000 = \$3 million

FY 13 (high) Existing Law Calculation: 1.7 million x 0.056 x 0.45 x 0.005 x \$36,000 = \$8 million

FY 13 (low) Proposed Law Calculation: 1.9 million x 0.272 x 0.002 x \$36,000 = \$37 million

FY 13 (high) Proposed Law Calculation: 1.9 million x 0.272 x 0.005 x \$36,000 = \$93 million

FY 14 & FY 15 (low) Fiscal Impact Calculation: \$37 million - \$3 million = \$34 million

FY 14 & FY 15 (high) Fiscal Impact Calculation: \$93 million - \$8 million = \$85 million

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	<i>Evan Brasseaux</i>
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	<b>Evan Brasseaux</b> Staff Director