

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 693** HLS 12RS 1012
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 30, 2012 3:43 PM	Author: CROMER
Dept./Agy.: Office of Group Benefits (OGB)	Analyst: Travis McIlwain
Subject: Orally administered anticancer medications	

INSURANCE/HEALTH

EG SEE FISC NOTE GF EX

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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.	\$0	SEE BELOW	SEE BELOW	\$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

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	<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

There is no anticipated direct material effect on the expenditures of the Office of Group Benefits (OGB). According to the OGB, there is no fiscal impact anticipated since OGB's current plan treats oral anticancer medications the same as intravenous or injected anticancer medications.

PRIVATE INSURANCE IMPACT

Pursuant to R.S. 24:603.1, the information below is the projected private insurance impact of the proposed legislation. The health actuary for the Department of Insurance (DOI) estimates that the costs to the private insurance industry statewide as a result of parity for orally administered anti-cancer medications is approximately \$2.5 million to \$6.6 million in FY 13 (half-year impact) increasing to \$6.0 million to \$19.3 million in FY 17. The estimates are based upon the following assumptions:

- 1.) 4.3 million total population in Louisiana;
- 2.) 2.15 million total Louisiana insured population;
- 3.) 250,000 OGB population;
- 4.) 200,000 Louisiana individual health policies population;
- 5.) 150,000 Louisiana group lives in medical savings accounts (approximately 8% of group members);
- 6.) 1.55 million impacted insured persons in the state of Louisiana;
- 7.) An average of 2 covered persons per policy (775,000);
- 8.) That the projected number of Louisiana cancer deaths in 2012 is 9,150;
- 9.) That the number of insured receiving treatment is proportional to the population receiving treatment, which is calculated to be 3,298 (low) [(9,150 x 1.55 million)/4.3 million];
- 10.) That the high number receiving treatment is 100% greater (double) than the low estimate, or 6,596 (3,298 x 2 = 6,596);
- 11.) That the annual out-of-pocket costs are assumed to be between \$1,500 and \$2,000;
- 12.) That medical cost inflation is assumed to be between 5.0% to 10.0%;
- 13.) That the annual insurance premium cost is assumed to be \$15,000;
- 14.) That the proposed bill is effective January 1, 2013, which is half a state fiscal year in FY 13. **(See Page 2)**

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. However, there will likely be an impact upon the overall premiums as result of mandating coverage of these cancer drugs. Utilizing a medical loss ratio of 0.85, the total annual premium cost equals [(anticipated expenditure costs)/(medical loss ratio)].

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<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input 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}	Evan Brasseaux Staff Director

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CONTINUED EXPLANATION from page one:

EXPENDITURE CALCULATIONS (PRIVATE INSURANCE IMPACT)

Benefit cost = number of Louisiana insured receiving treatment x out-of-pocket cost x medical inflation
FY 13 (low): 3,298 x \$1,500 x 0.5 = \$2.5 million (half year impact) (\$4.9 million full year impact)
FY 13 (high): 6,596 x \$2,000 x 0.5 = \$6.6 million (half year impact) (\$13.2 million full year impact)
FY 14 (low): 3,298 x \$1,500 x 1.05 = \$5.2 million
FY 14 (high): 6,596 x \$2,000 x 1.1 = \$14.5 million
FY 15 (low): 3,298 x \$1,500 x 1.05 x 1.05 = \$5.5 million
FY 15 (high): 6,596 x \$2,000 x 1.1 x 1.1 = \$16.0 million
FY 16 (low): 3,298 x \$1,500 x 1.05 x 1.05 x 1.05 = \$5.7 million
FY 16 (high): 6,596 x \$2,000 x 1.1 x 1.1 x 1.1 = \$17.6 million
FY 17 (low): 3,298 x \$1,500 x 1.05 x 1.05 x 1.05 x 1.05 = \$6.0 million
FY 17 (high): 6,596 x \$2,000 x 1.1 x 1.1 x 1.1 x 1.1 = \$19.3 million

REVENUE CALCULATIONS (PRIVATE INSURANCE IMPACT)

FY 13 (low): \$2.5 million/0.85 = \$2.9 million (half year impact) (\$5.8 million for a full fiscal year)
FY 13 (high): \$6.6 million/0.85 = \$7.8 million (half year impact) (\$15.5 million for a full fiscal year)
FY 14 (low): \$5.2 million/0.85 = \$6.1 million
FY 14 (high): \$14.5 million/0.85 = \$17.1 million
FY 15 (low): \$5.5 million/0.85 = \$6.5 million
FY 15 (high): \$16.0 million/0.85 = \$18.8 million
FY 16 (low): \$5.7 million/0.85 = \$6.7 million
FY 16 (high): \$17.6 million/0.85 = \$20.7 million
FY 17 (low): \$6.0 million/0.85 = \$7.1 million
FY 17 (high): \$19.3 million/0.85 = \$22.7 million

FY 13 percentage extra premium cost equals the total premium cost divided by the number of policies and premium per policy:

FY 13 premium percentage increase (low): \$5.8 million/(775,000 x \$15,000) = 0.05% **(\$8 per policy or \$0.63 per policy per month)**
FY 13 premium percentage increase (high): \$15.5 million/(775,000 x \$15,000) = 0.13% **(\$20 per policy or \$1.67 per policy per month)**

Based upon the DOI health actuary's assumptions, providing parity for orally administered anti-cancer medications is anticipated to result in a projected monthly premium for all privately insured in FY 13 \$0.63 per month to \$1.67 per month increasing to \$0.76 per month to \$2.44 per month in FY 17.

NOTE: Due to the provisions of the federal Affordable Care Act, 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. However, the House Insurance Committee adopted an amendment that appears to eliminate the state's expenditure exposure associated with this health insurance coverage change.

According to DHH, the state will have to choose a "benchmark plan," which will be identified as Louisiana's essential health benefits. Although the federal Affordable Care Act appears to give states some discretion for health benefits offered in the health insurance exchange beyond the "essential benefit," DHH/DOI will not know the specifics of the essential health benefit until the federal rules are released on June 20, 2012.

Senate Dual Referral Rules House
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S} *Evan Brasseaux*
 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**
Staff Director

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Senate

Dual Referral Rules

House

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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