



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **SB 150** SLS 21RS 307
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 27, 2021 3:27 PM	Author: BARROW
Dept./Agy.: Office of Group Benefits	
Subject: Coverage of Bariatric Surgery to Treat Obesity	Analyst: Patrice Thomas

GROUP BENEFITS PROGRAM OR INCREASE GF EX See Note Page 1 of 2
 Requires the Office of Group Benefits to cover bariatric surgery techniques for the treatment of severe obesity. (8/1/21)

Proposed law defines "severe obesity" and requires the Office of Group Benefits (OGB), with prior authorization, to cover treatment of severe obesity through gastric bypass surgery, sleeve gastrectomy, duodenal switch, SADI, or other methods recognized by the American Society for Metabolic and Bariatric Surgery as effective for the long-term reversal of severe obesity. Proposed law requires OGB to offer reimbursement to hospitals, physicians, and clinics (accredited by the American College of Surgeons Metabolic and Bariatric Surgery Accreditation and Quality Improve Program) that are reasonable and customary. Proposed law is effective 8/01/2021.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
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						

EXPENDITURE EXPLANATION

Proposed law will significantly increases expenditures within the Office of Group Benefits (OGB). Proposed law requires OGB to cover bariatric surgery as a treatment for morbid obesity. Based upon assumptions listed below, the expenditures to cover this benefit range as follows:

	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total
Low	\$10,844,550	\$11,202,711	\$11,572,506	\$11,953,935	\$12,348,660	\$ 57,922,362
High	\$23,932,800	\$24,722,250	\$25,538,292	\$26,380,926	\$27,251,814	\$127,826,082

Unless OGB Fund Balance is utilized, a SGF appropriation will be required to cover the state portion of the increase in premium costs, which is approximately 39%. As of February 2021, the OGB Fund Balance was \$351.1 M.

The expenditure estimate is based upon the following assumptions:

- (1) As of 4/14/2021, the current OGB population is 220,224, and 184,539 were over the age of 18. Members age 17 or younger (35,685) were excluded.
- (2) Projection does not include changes in plan membership or exclude members who elect to have surgery in future years.
- (3) Based on analysis performed by OGB's actuary Buck Global LLC that reviewed BMI data of OGB members: 13.16% (24,285) of adult members in the current OGB population are considered to be morbidly obese with a BMI of 40 or more and 10.29% (18,989) of adult members in the current OGB population are considered to have a BMI of 35 - 39 with comorbidities. The above percentage of adult members is adjusted to exclude members who have Chronic Obstructive Pulmonary Disease (COPD) estimated at 4.7% of members with BMI of 40 or more (24,285 x 4.7% = 1,141) and 3.1% (18,989 x 3.1% = 589) of members with BMI of 35-39 with comorbidities. Eligible members with BMI of 40 or more is 23,144 (24,285 - 1,141) and eligible member with BMI of 35-39 with comorbidities is 18,400 (18,989 - 589), therefore the number of **total eligible members is 41,544** (23,144 + 18,400).

(EXPENDITURE EXPLANATION CONTINUE ON PAGE 2)

REVENUE EXPLANATION

Proposed law will increase revenues within OGB as a result of increased premiums assessed to state agencies. The FY 22 projected annual and monthly premium increase to cover bariatric surgery under the proposed law is below.

Low: \$10,844,550/220,224 = \$49 per member per year premium increase or \$4 per member per month.
 High: \$23,932,800/220,224 = \$109 per member per premium increase or \$9 per member per month.

<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 checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<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}

Alan M. Boxberger
 Staff Director



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CONTINUED EXPLANATION from page one:

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EXPENDITURE EXPLANATION CONTINUED from Page 1

(4) Upon enactment of the proposed law, 2% of the 41,544 eligible members will elect bariatric surgery; thereafter an annual utilization rate of 2% is assumed in each fiscal year.
(5) Proposed law provides that OGB cover various bariatric methods recognized by the National Institutes of Health (NIH) as effective. The four most common bariatric surgery methods are: (A) Gastric Sleeve; (B) Gastric Bypass; (C) Lap-Band; and (D) Duodenal Switch. The average lowest non-insurance costs of the aforementioned procedures were reduced by 10% in an attempt to adjust for insurance coverage using accredited facilities. Lap-Band was the lowest cost at \$13,050 (\$14,500 non-insurance average adjusted by 10% reduction of \$1,450), and Duodenal switch was the highest cost at \$28,800 (\$32,000 non-insurance average adjusted by 10% reduction of \$3,200).
(6) A medical inflation factor of 3.3% was applied annually to future fiscal years. For example, in FY 23, lowest cost at \$13,481 (\$13,050 * 3.3% medical inflation) and highest cost at \$29,750 (\$28,800 * 3.3% medical inflation).

Below are expenditure calculations utilized to project the cost within OGB as a result of the proposed law utilizing the assumptions listed on page one.

Expenditure Calculations

FY 22 (Low) = 41,544 eligible members x 2% utilization = 831 x \$13,050 lowest cost = \$10,844,550 (\$4,229,375 SGF)
FY 22 (High) = 41,544 eligible members x 2% utilization = 831 x \$28,800 highest cost = \$23,932,800 (\$9,333,792 SGF)
FY 23 (Low) = 41,544 eligible members x 2% utilization = 831 x \$13,481 lowest cost = \$11,202,711 (\$4,369,057 SGF)
FY 23 (High) = 41,544 eligible members x 2% utilization = 831 x \$29,750 highest cost = \$24,722,250 (\$9,641,678 SGF)
FY 24 (Low) = 41,544 eligible members x 2% utilization = 831 x \$13,926 lowest cost = \$11,572,506 (\$4,513,277 SGF)
FY 24 (High) = 41,544 eligible members x 2% utilization = 831 x \$30,732 highest cost = \$25,538,292 (\$9,959,934 SGF)
FY 25 (Low) = 41,544 eligible members x 2% utilization = 831 x \$14,385 lowest cost = \$11,953,935 (\$4,662,035 SGF)
FY 25 (High) = 41,544 eligible members x 2% utilization = 831 x \$31,746 highest cost = \$26,380,926 (\$10,288,561 SGF)
FY 26 (Low) = 41,544 eligible members x 2% utilization = 831 x \$14,860 lowest cost = \$12,348,660 (\$4,815,977 SGF)
FY 26 (High) = 41,544 eligible members x 2% utilization = 831 x \$32,794 highest cost = \$27,251,814 (\$10,628,207 SGF)
Total (Low) = \$ 57,922,362 (\$22,589,721 SGF)
Total (High) = \$127,826,082 (\$49,852,172 SGF)

NOTE: The following factors are not incorporated in the fiscal note's assumptions: (1) reductions in health insurance claims associated with the change in the health status of the eligible members that elect to have bariatric surgery; (2) reductions in claims due to members out-of-pocket costs (such as deductibles, coinsurance, and copays); and (3) reductions in claims as a result of any discounted rates negotiated with a healthcare provider network administrator.

Senate Dual Referral Rules
[X] 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
[] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
[X] 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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