

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 173** SLS 15RS 511
 Bill Text Version: **RE-REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 18, 2015 9:11 AM	Author: HEITMEIER
Dept./Agy.: Office of Group Benefits (OGB)	Analyst: Travis McIlwain
Subject: Bariatric Surgery	

HEALTH CARE RR NO IMPACT GF EX See Note Page 1 of 2
 Provides for treatment of morbid obesity. (10/1/15)

Proposed bill (1) mandates the coverage for medically necessary expenses of the diagnosis and treatment of morbid obesity; (2) defines morbid obesity to mean a BMI of 40 plus with hypertension and diabetes (comorbidities); and provides that the fee schedule utilized for the payment of services associated with treatment of morbid obesity shall be the same as the fee schedule used by the LA Medicaid Bayou Health Program. Proposed bill does not apply to the Office of the Group Benefits (OGB) except for the requirement to continue to serve 100 participants annually through June 30, 2017 or beyond at the discretion of the OGB. Proposed bill does not apply to small group insurance plans or grandfathered large group plans as defined in PPACA. Proposed bill provides that a health insurer shall only be required to cover the services to persons between the ages of 17 and 65 years of age. Proposed bill provides some insurer limitations to the insured. Effective January 1, 2017.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	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

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Office of Group Benefits (OGB) already has approximately 100 members participating within the Heads Up Program, which is conducted by Pennington Biomedical Research Center. OGB currently has a \$2.3 M administrative contract in place with Pennington Biomedical Research Center that provides for the administrative costs of the program. The program includes bariatric surgery and intensive medical treatment. This program is a 5-year pilot program designed to assist OGB about ways to better manage the health problems caused by obesity. The current 5-year contract ends in December 2016.

According to information provided to the Legislative Fiscal Office by the Department of Health & Hospitals (DHH), this bill will have no fiscal impact upon the Medicaid Program. This medical service is already a covered service with prior authorization and medical necessity review.

PRIVATE HEALTH 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 industry statewide as result of covering this service is approximately \$12 M to \$30 M in FY 17 and costs ranging from \$5 M to \$13 M in subsequent fiscal years. NOTE: The actuarial model reflected below does not account for the limitations that may be implemented by the insurer. Those limitations include: 1.) individuals 17 to 65 years of age, 2.) insured requesting surgery show documented evidence that all nonsurgical options have been exhausted, 3.) limit coverage for 1 surgery per lifetime, 4.) limit the benefit payable to \$15 million per lifetime. To the extent these exclusions are implemented by the insurer, the costs estimated below will be some amount less.

<u>FY 16-17</u> \$12 M to \$30 M	<u>FY 17-18</u> \$6 M to \$13 M	<u>FY 18-19</u> \$5 M to \$12 M	<u>FY 19-20</u> \$5 M to \$11 M
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These estimates are based upon the following assumptions listed below:

- 1.) Impacted insured population is 1.725 million (excludes 225,000 OGB population & 200,000 individual insured population);
- 2.) That 0.5% to 1% of the impacted insured population meets the standards of morbidly obese;
- 3.) That 10% to 11% of the impacted insured population elect treatment in year 1;
- 4.) That 5% of the impacted insured population elect treatment in subsequent years;
- 5.) That the number of eligibles will grow by 4% per year;

See page 2 for actuarial calculations

REVENUE EXPLANATION

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

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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) >= \$100,000 SGF Fiscal Cost {H & S} | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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} | |

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CONTINUED EXPLANATION from page one:

- 6.) That the treatment costs range from \$14,000 to \$16,000;
- 7.) That medical loss ratio is 0.85;
- 8.) That each subsequent fiscal year population attempts to exclude the individuals who previously elected surgery.

Private Health Insurance Impact - Cost Calculations

FY 17 Low: $1,725,000 \times 0.005 \times 0.1 \times \$14,000 = \$12$ million
FY 17 High: $1,725,000 \times 0.01 \times 0.11 \times \$16,000 = \$30$ million

FY 18 Low: $1,725,000 \times (0.005 \times (1-0.1)) \times 1.04 \times 0.05 \times \$14,000 = \$6$ million
FY 18 High: $1,725,000 \times (0.01 \times (1-0.11)) \times 1.04 \times 0.05 \times \$16,000 = \$13$ million

FY 19 Low: $1,725,000 \times (0.005 \times (0.9-0.05)) \times 1.04 \times 0.05 \times \$14,000 = \$5$ million
FY 19 High: $1,725,000 \times (0.01 \times (0.9-0.05)) \times 1.04 \times 0.05 \times \$16,000 = \$12$ million

Private Health Insurance Impact - Premium Calculations

FY 17 Low: $\$12 \text{ million} / 0.85 = \14 million, \$8.24 per member per year or \$0.69 per member per month
FY 17 High: $\$30 \text{ million} / 0.85 = \36 million, \$20.71 per member per year or \$1.73 per member per month

Senate

Dual Referral Rules

House

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(2) >= \$500,000 Rev. Red. to State {H & 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}

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