

Fiscal Estimate Narratives
ETF 9/14/2009

LRB Number	09-0992/1	Introduction Number	AB-0331	Estimate Type	Original
Description Insurance coverage of orthotic and prosthetic devices and services					

Assumptions Used in Arriving at Fiscal Estimate

This bill will have a fiscal effect to the extent that it increases health insurance premiums and health care claims costs for state employees participating in the state employees group health insurance program. Based on information and analysis provided by the Group Insurance Board's consulting actuary, the estimated 2009 cost associated with the state employee health plan is to be between \$99,300 and \$219,780 annually. The estimated cost associated with the local government health plan cost is from \$19,380 to \$42,636 annually.

This bill requires insurers and self-insured health plans in the program to cover the cost of orthotic and prosthetic devices that are prescribed by a physician and determined by the prescribing physician to be medically necessary. It requires coverage of professional services and supplies related to the device, including testing, fitting, maintenance and repair if determined to be medically necessary. The bill also requires that all insureds have a choice of a least two providers of prosthetic devices located within 60 miles or 60 minutes of their homes. If not available, then insurers may not require an insured to pay more than the cost of an in-network appliance. The bill precludes plans from applying limitations, exclusions, or cost sharing provisions that are greater than those that apply generally to services or items under the plan. Currently the state and local government employee programs contain a cost-sharing provision whereby the member pays 20% up to \$500 out-of-pocket annually. This provision is applicable only to durable medical equipment. Based on information we have received from the Office of the Commissioner regarding similar language in previous legislation, the current 20% cost sharing provision cannot be applied.

This estimate assumes:

- *There are an estimated 166,500 average monthly covered lives in the state employee plan (includes graduate assistant participants).
- * There are an estimated 32,300 average monthly covered lives in the local government plan.
- *Current baseline benefit costs of this benefit are of \$0.18 to \$0.23 per member per month
- *The current benefit requires a 20% co-insurance up to \$500 out-of pocket per participant per year.
- *There will be utilization increase of 10 to 20% due to elimination of the current co-insurance provision required by this bill.
- *The additional premium cost is estimated to be \$0.05 to \$0.11 per member per month.
- *The estimate of the fiscal impact is: $\$0.05 \times 12(\text{months}) \times 166,500(\text{participants}) = \$99,300$; $\$0.11 \times 12(\text{months}) \times 166,500(\text{participants}) = \$219,780$
- *There will be no effect of this legislation on the health insurance contract exclusion for equipment, models or devices that have features over and above that which is medically necessary, as determined by the health plan, including upgrading of the equipment to newer of better technology when the existing equipment is sufficient. If it is determined that this exclusion cannot be applied under this legislation, the financial impact may be materially higher.

Long-Range Fiscal Implications