

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$739,194	
CASH FUNDS			\$408,648	
FEDERAL FUNDS			\$206,316	
OTHER FUNDS			\$292,933	
TOTAL FUNDS			\$1,647,091	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 210 creates the Prior Authorization Reform Act (Act). The Act would require health carriers to adopt a program that creates at least one alternative for prior authorization, including an exemption from prior authorization requests for any provider that had at least a 90% approval rate of prior authorization requests over the preceding six-month period. The bill has an effective date of January 1, 2025.

DOI:

Additionally, the bill would require that each health carrier submit a report to be submitted annually to the Department of Insurance (DOI), no later than June 1st as outlined in the bill. Currently, “health carriers” as defined by the bill, would include the 878 accident and sickness companies, and 23 health maintenance organizations licensed by the Department, as well as the 3 managed care organizations contracted by Medicaid.

The Department of Insurance must then aggregate, deidentify, and compile the data submitted by health carriers into a report to be published on the Department’s website no later than October 1st annually. Compiling and aggregating approximately 900 reports from health carriers in the four-month time frame provided, would require a 0.5 FTE market conduct examiner dedicated to creating the report that the Department would be required to publish. DOI has adequate PSL for the additional 0.5 FTE. Funding by Source is as following:

Department of Insurance		
Fund Type	Estimated Expenditures FY 2023-24	Estimated Expenditures FY 2024-25
General Fund	\$0	
Cash Fund	\$0	\$21,807
Federal Fund	\$0	
Revolving Fund	\$0	
Total	\$0	\$21,807

University of Nebraska Systems (University):

Utilizing recent historical data from the University’s healthcare plan (UMR), the University estimates that prior authorization saved the University \$2,196,666 in 2021. The University’s health plan denied 9.7% of prior authorizations. Under the Act that has an effective date of January 1, 2025, the University anticipates that 50% of the increased cost would be incurred in FY 2024-25. Cost for the first year would be \$727,601. In future years, the full \$1,455, 201 would be incurred by the University. Funding by source is as following:

University of Nebraska Systems:

Fund Type	Estimated Expenditures FY 2023-24	Estimated Expenditures FY 2024-25
General Fund	\$0	\$277,216
Cash Fund	\$0	\$164,438
Federal Fund	\$0	\$32,742
Revolving Fund	\$0	\$253,205
Total	\$0	\$727,601

Department of Administrative Services (DAS):

Utilizing recent historical data from the State of Nebraska's employee's healthcare plan, DAS estimates that prior authorization saved the State \$1,455,201 in 2021. Under the Act that has an effective date of January 1, 2025, the University anticipates that 50% of the increased cost would be incurred in FY 2024-25. As health plan costs are increasing, the cost for the first year would be \$867,683. In future years, the full \$11,735,366 would be incurred by the University. Funding by source is as following:

Department of Administrative Services:

Fund Type	Estimated Expenditures FY 2023-24	Estimated Expenditures FY 2024-25
General Fund	\$0	\$461,978
Cash Fund	\$0	\$222,403
Federal Fund	\$0	\$173,574
Revolving Fund	\$0	\$39,728
Total	\$0	\$897,683

TOTAL COSTS

Fund Type	Estimated Expenditures FY 2023-24	Estimated Expenditures FY 2024-25
General Fund		\$739,194
Cash Fund		\$408,648
Federal Fund		\$206,316
Revolving Fund		\$292,933
Total		\$1,647,091

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 210	AM:	AGENCY/POLT. SUB: Department of Insurance
REVIEWED BY: Ryan Walton	DATE: 3/7/2023	PHONE: (402) 471-4174
COMMENTS: No basis to disagree with the Department of Insurance assessment of fiscal impact from LB 210.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 210	AM:	AGENCY/POLT. SUB: Department of Administrative Services
REVIEWED BY: Ryan Walton	DATE: 2/2/2023	PHONE: (402) 471-4174
COMMENTS: No basis to disagree with the Department of Administrative Services assessment of fiscal impact from LB 210.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 210	AM:	AGENCY/POLT. SUB: University of Nebraska Systems
REVIEWED BY: Ryan Walton	DATE: 1/18/2023	PHONE: (402) 471-4174
COMMENTS: The University of Nebraska Systems assessment of fiscal impact from LB 210 appears reasonable.		

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2023

LB⁽¹⁾ 210

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Insurance

Prepared by: ⁽³⁾ Jordan Blades Date Prepared: ⁽⁴⁾ 3/2/2023 Phone: ⁽⁵⁾ 402-471-1432

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	41,610	_____	43,614	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>41,610</u>	_____	<u>43,614</u>	_____

Explanation of Estimate:

LB 210 would require health carriers to adopt a program that creates at least one alternative to prior authorization, including an exemption from prior authorization requests for any provider that had at least a 90% approval rate of prior authorization requests over the preceding six-month period.

Additionally, the bill would require that annually, no later than June 1st, each health carrier submit a report to the department containing:

- The number of prior authorization requests;
- The number of prior authorization requests denied;
- The number of appeals received;
- The number of adverse determinations reversed on appeal;
- The ten individual services most frequently denied; and
- The ten reasons most frequently used to deny prior authorization requests.

The Department must then aggregate, deidentify, and compile the data submitted by health carriers into a report to be published on the Department’s website no later than October 1st.

“Health carrier,” as defined in the bill, would include the 878 accident and sickness companies, and 23 health maintenance organizations licensed by the Department, as well as the 3 managed care organizations contracted by Medicaid.

Compiling and aggregating approximately 900 reports from health carriers in the four-month time frame provided, would require a 0.5 FTE market conduct examiner dedicated to creating the report that the Department would be required to publish.

The Department has adequate PSL funding at this time and anticipates it will be able to absorb this cost.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Market Conduct Examiner II	0.5	0.5	24,211	25,465
Benefits.....			15,275	15,929
Operating.....			2,124	2,220
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			41,610	43,614

Please complete ALL (5) blanks in the first three lines.

2023

LB⁽¹⁾ 210

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS)
- Employee Wellness & Benefits

Prepared by: ⁽³⁾ Jennifer Norris Date Prepared: ⁽⁴⁾ 1/12/2023 Phone: ⁽⁵⁾ 402/480-9728

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>

Explanation of Estimate:

LB210 requires health carriers/plans to develop a program to allow some medical providers to by-pass current prior-authorization requirements effective January 1, 2025. LB210 also requires new reports that are due by June 1, 2024, and each June 1 thereafter and October 1, 2024, and each October 1 thereafter to the Department of Insurance. LB210 changes the guidelines of when and how prior authorization will be applied. Based on client specific variability, and the potential for impacting certain program elements, the full maximum potential impact based on historical data will be conveyed.

LB210 will cause a fiscal impact on the State of Nebraska medical plans. Per the State’s current third-party administrator (TPA), on a book-of-business basis, industry standards show that prior authorization is worth approximately 1.5% in terms of savings when a client does not have these programs in place, and they are turned on.

The past benefit year for the State of Nebraska medical plans total medical spend was approximately \$146M. This translates to a possible increase in future costs of \$2.2M ($\$146,444,416 \times 1.5\% = \$2,196,666$ (rounded to \$2.2M)).

The State of Nebraska medical plans are self-insured. Any increases in costs will need to be covered by an increase in premiums. The State of Nebraska pays 79% of the premiums for State of Nebraska teammates and the teammate pays 21%. Estimated increased costs could be approximately \$1,735,366 to the State for a complete fiscal year ($\$2,196,666 \times 79\% = \$1,735,366$). This bill wouldn’t be effective until the second half of FY24-25 for an estimated increase of \$867,683 ($\$1,735,366 \times 50\% = \$867,683$).

The State’s health plans utilize trust funds; thus, no additional appropriation is being requested.

The table below summarizes the estimated impact by fund type of any premium increase. The allocation by fund type below is based on an average of Health & Life Insurance expenditures over a four-year period (2019-2022).

Fund Type	Expenditures – FY24-25
General Fund	\$461,978
Cash Fund	\$222,403
Federal Fund	\$173,574
Revolving Fund	\$39,728
Total	\$867,683

The State’s contribution would increase the costs of each agency by an unknown amount that would need to be reconciled in a subsequent A bill.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2023-24	2024-25
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

LB ⁽¹⁾ 0210 Adopt the Prior Authorization Reform Act

FISCAL NOTE

State Agency OR Political Subdivision Name:⁽²⁾ University of Nebraska System

Prepared by:⁽³⁾ Chris Kabourek Date Prepared:⁽⁴⁾ 01/17/2023 Phone:⁽⁵⁾ (402) 472-7102

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2023 - 24		FY 2024 - 25	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>277,216.00</u>	<u>0.00</u>
CASH FUNDS	<u>0.00</u>	<u>0.00</u>	<u>164,438.00</u>	<u>0.00</u>
FEDERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>32,742.00</u>	<u>0.00</u>
OTHER FUNDS	<u>0.00</u>	<u>0.00</u>	<u>253,205.00</u>	<u>0.00</u>
TOTAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>727,601.00</u>	<u>0.00</u>

Explanation of Estimate:

LB 210 seeks to change health carriers prior authorization procedures.

LB 210 has provisions that could result in healthcare providers being exempted from prior authorization requirements (section 4). The bill would change prior authorization processes on January 1, 2025.

The most recent data from UMR, the health insurance carrier for the University of Nebraska System's self-funded health plan, reports that prior authorizations saved the University \$1,455,201 in 2021. 9.7% of prior authorizations for the University's health plan were denied in 2021.

The fiscal cost estimate of this bill assumes that healthcare providers for the University of Nebraska System's health insurance plan would be exempted from future prior authorization requirements. With prior authorization processes having to change on January 1, 2025 we assume 50% of the savings from our current prior authorizations would be an additional cost to the University in Fiscal Year 2024-25.

In future years the full \$1,455,201 would be an increased cost to the University of Nebraska System.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023 - 24 EXPENDITURES</u>	<u>2024 - 25 EXPENDITURES</u>
	<u>23 - 24</u>	<u>24 - 25</u>		
	<u>0</u>	<u>0</u>		
	<u>0</u>	<u>0</u>		
Benefits.....				<u>727,601.00</u>
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				<u>727,601.00</u>