

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$5,300,349		\$8,098,984	
CASH FUNDS	\$1,371,662		\$1,545,029	
FEDERAL FUNDS	\$1,073,569		\$1,231,429	
OTHER FUNDS	\$203,524		\$369,233	
TOTAL FUNDS	\$7,949,104		\$11,244,675	

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

LB 501 requires that any individual or group health insurance policy issued or renewed in the state shall provide coverage for outpatient expenses that arise from in vitro fertilization procedures. The bill allows the Department of Insurance to develop rules and regulations to carry out the bill.

State Employee Health Insurance Plan: The Department of Administrative Services indicates the state employee health insurance plan does not currently cover in vitro fertilization or other types of infertility treatments. The vendor for the state plan estimates a 3.5% increase in medical and pharmacy claims if in vitro fertilization procedures were covered. The estimated increase in claims would be about \$6.88 million in FY2019-20 and \$7.43 million in FY2020-21.

The state pays 79% of premiums for the health insurance plan and employees pay 21%. The state health insurance plan is self-insured, with 79% of the premium being paid by the state. Assuming the increased cost for in vitro fertilization procedures are reflected in plan premiums, the estimated fiscal impact of the bill for the state is \$5,449,104 in FY20 and \$5,869,675 in FY21. The funding sources for the state health insurance plan are: general funds (51%); cash funds (25%); federal funds (20%); and, revolving funds (4%).

University of Nebraska Health Insurance Plan: The University indicates the health insurance plan for university employees added coverage for in vitro fertilization and other fertility treatments beginning January 1, 2019. However, the University plan has a lifetime cap of \$15,000 per participant for the treatments. The bill will require the University to remove the lifetime limit in order to cover in vitro fertilization procedures to the same extent as benefits provided for other pregnancy-related procedures as required by the bill.

The University estimates the plan limit of \$15,000 will cover about two treatments. The University has 5,205 enrolled in its health plan who are ages 22 to 44. The University indicates that in vitro fertilization leads to a successful pregnancy in 40% of attempts. In vitro fertilization costs about \$6,400 to \$8,700 for medical and prescription drugs. Using these assumptions, it is estimated that 50 individuals will want a third treatment which will increase the costs to the health plan by about \$375,000 per year. It is assumed that no maximums will be reached in the initial year, so the fiscal impact will begin in FY2020-21.

Assuming the increased cost for in vitro fertilization procedures are reflected in plan premiums, the estimated fiscal impact of the bill for the university is \$375,000 beginning in FY21. The funding sources for the University health insurance plan are: general funds (22%); cash funds (18%); federal funds (20%); and, revolving funds (40%).

Health Insurance Exchange Plans: LB 501 will have a fiscal impact for the state to cover insurance costs for in vitro fertilization procedures for persons buying insurance through the health insurance exchange beginning January 1, 2020. The Department of Insurance (DOI) indicates that under the Affordable Care Act if state law mandates insurers to cover benefits that are not included as an essential benefit in the final U. S. Health and Human Services essential benefits list, then any costs for benefits that are not on the list must be paid by the state.

The essential benefits list does not cover the costs of in vitro fertilization procedures. The DOI requested information from Medica, which is the only insurer offering a health insurance plan on the insurance exchange, on the estimated additional costs if in vitro fertilization procedures are covered. Based on Medica's experience in other states and the number of Nebraskans purchasing policies through the exchange, the addition of in vitro fertilization coverage will increase premiums by about \$5 million per year.

It is assumed the cost to provide insurance benefits to persons pursuant to LB 501 will be funded with general funds rather than cash funds from the Department of Insurance Cash Fund because the expenditure of funds for insurance benefits for individuals would not be a permissible use of this cash fund. The DOI assumes that insurers' will ask for payment by filing a miscellaneous claim with the

state. It is assumed the required coverage will apply to plans issued beginning January 1, 2020, which means there will be an estimated general fund fiscal impact of \$2.5 million in FY20 and \$5 million in FY21.

Department of Insurance: The department may opt to develop rules and regulations to carry out the bill. The department indicates that any workload increase related to rule development and administration of the bill can be handled with existing staff and resources of the agency.

The following table summarizes the fiscal impact assuming the bill is in effect for the state and university health insurance plans beginning July 1, 2019 and the Nebraska insurance exchange plans beginning January 1, 2019.

Funds	State Employee Ins. Plan	FY 2019-20		Total Fiscal Impact
		University of Nebraska Ins. Plan	Nebraska Ins. Exchange Plan	
General	2,800,349	0	2,500,000	5,300,349
Cash	1,371,662	0		1,371,662
Federal	1,073,569	0		1,073,569
Other	<u>203,524</u>	<u>0</u>		<u>203,524</u>
Total	\$5,449,104	\$0	\$2,500,000	\$7,949,104

Funds	State Employee Ins. Plan	FY 2020-21		Total Fiscal Impact
		University of Nebraska Ins. Plan	Nebraska Ins. Exchange Plan	
General	3,016,484	82,500	5,000,000	8,098,984
Cash	1,477,529	67,500		1,545,029
Federal	1,156,429	75,000		1,231,429
Other	<u>219,233</u>	<u>150,000</u>		<u>369,233</u>
Total	\$5,869,675	\$375,000	\$5,000,000	\$11,244,675

Other Political Subdivisions: It is assumed the bill will also have a fiscal impact for other political subdivisions which offer health insurance to their employees. The additional costs are not able to be determined.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 501	AM:	AGENCY/POLT. SUB: Department of Administrative Services	
REVIEWED BY: Neil Sullivan		DATE: 2/21/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Administrative Services assessment of fiscal impact from LB 501.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 501	AM:	AGENCY/POLT. SUB: University of Nebraska	
REVIEWED BY: Neil Sullivan		DATE: 2/21/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the University of Nebraska assessment of fiscal impact from LB 501.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 501 AM: AGENCY/POLT. SUB: Nebraska Department of Insurance

REVIEWED BY: Neil Sullivan DATE: 2/28/2019 PHONE: (402) 471-4179

COMMENTS: No basis to disagree with the Nebraska Department of Insurance assessment of fiscal impact from LB 501.

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

2019

LB⁽¹⁾ 501

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⁾ 1/24/2019 Phone: ⁽⁵⁾ 402/471-4147

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$2,800,349</u>		<u>\$3,016,484</u>	
CASH FUNDS	<u>\$1,371,662</u>		<u>\$1,477,529</u>	
FEDERAL FUNDS	<u>\$1,073,569</u>		<u>\$1,156,429</u>	
REVOLVING FUNDS	<u>\$ 203,524</u>		<u>\$ 219,233</u>	
TOTAL FUNDS	<u>\$5,449,104</u>	<u>\$5,449,104</u> ⁽¹⁾	<u>\$5,869,675</u>	<u>\$5,869,675</u> ⁽¹⁾

(1) Premiums collected from State and employees into Trust Fund

Explanation of Estimate:

LB 501 as introduced requires insurance coverage for in vitro fertilization procedures as prescribed. Currently, insurance plans for employees of the State of Nebraska cover most services required to treat or correct underlying causes of infertility; however these plans do not cover in vitro fertilization or other types of infertility treatments.

The State of Nebraska’s employee health care benefits vendor, based on their book of business, estimates that the financial impact would be an increase of approximately 3.5% of the total medical and pharmacy claims. For the Fiscal Year 2017-2018, the State of Nebraska paid over \$182 million in total medical and pharmacy claims. There is an estimated annual trend for the next 2 years of an increase of 16% or more.

Using FY17-18 claims of \$182 million x 8% growth = \$196.5 million in estimated claims for FY19-20. This would equate to an increase of approximately \$6.879 million in FY19-20 for additional coverage [\$196,560,000 in claims x 3.5% increase = \$6,879,600 million additional claims].

Using the estimated FY19-20 claims of \$196.5 million x 8% growth = \$212,284 million in estimated claims during FY20-21. This would equate to an increase of approximately \$7.429 million [\$212,284,800 in claims x 3.5% increase = \$7,429,968 million in additional claims in FY20-21].

The State of Nebraska Employees’ Health Insurance Plans are self-insured. Any increase in costs is linked directly to an increase in premiums paid by the State and the employees. Currently the State pays 79% of the premium cost of each plan. Employees are liable for 21% of the premium costs of each plan.

An estimated increase in claims of \$6.879 million in FY19-20 would result in \$5.449 million in increased premium costs for the State [\$6.897 million x 79% = \$5.449 million] and \$5.869 million in FY20-21 [\$7.429 million x 79% = \$5.869 million]. State of Nebraska employees would see an estimated premium increase of \$1.448 million in FY19-20 and \$1.560 in FY20-21 [\$6.897 million x 21% = \$1.448 million and \$7.429 million x 21% = \$1.560 million.

The table below summarizes the estimated impact by fund type of the estimated increased premiums for both fiscal years. The allocation by fund type is based on a four (4) year [2015-2018] average of benefits paid.

Fund Type	FY19-20	FY20-21
General Fund	\$2,800,349	\$3,016,484
Cash Fund	\$1,371,662	\$1,477,529
Federal Fund	\$1,073,569	\$1,156,429
Revolving Fund	\$ 203,524	\$ 219,233
Total	\$5,449,104	\$5,869,675

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....			\$5,449,104	\$5,869,675
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$5,449,104	\$5,869,675

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

2019

LB⁽¹⁾ 501

FISCAL NOTE

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

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ January 29, 2019 Phone: ⁽⁵⁾ 402-472-7109

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	82,500	_____
CASH FUNDS	_____	_____	67,500	_____
FEDERAL FUNDS	_____	_____	75,000	_____
OTHER FUNDS	_____	_____	150,000	_____
TOTAL FUNDS	=====	=====	375,000	=====

Explanation of Estimate:

Beginning January 1, 2019 the University added coverage for in vitro fertilization and other fertility treatments (including prescription drugs). However, the University health plan places a lifetime dollar limit on these treatments of \$15,000 per health plan participant. It is our understanding under the bill that the University's health plan must cover in vitro fertilization procedure to the same extent as benefits provided for other pregnancy-related procedures under the plan. This criteria would require the University health plan to remove the \$15,000 lifetime dollar limit.

Health plan experience shows in vitro fertilization costs between approximately \$6,400 and \$8,700 for medical and prescription drugs. The University health plan has 5,205 female members in the age range of 22 to 44. Using the average cost we estimate the University's health plan limit of \$15,000 per participant would cover the cost for 2 in vitro fertilization treatments. It is our understanding that in vitro fertilization leads to a successful pregnancy in about 40% of attempts. We assumed that 50 participants would need or want a third in vitro fertilization treatment the additional costs to the health plan would be about \$375,000 annually. We would not likely reach any maximums in year 1.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	375,000
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	375,000

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

2019

LB⁽¹⁾ 501

FISCAL NOTE

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

Prepared by: ⁽³⁾ Matt Holman Date Prepared: ⁽⁴⁾ 2/25/19 Phone: ⁽⁵⁾ 402-471-4503

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$2,500,000		\$5,000,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$2,500,000		\$5,000,000	

Explanation of Estimate:

Legislative Bill 501 requires any individual or group sickness and accident policy or self-funded employee benefit plan to provide coverage for outpatient expenses that arise from in vitro fertilization procedures. Such benefits must be provided to same extent as benefits provided for other pregnancy-related procedures in the policy.

42 U.S.C. § 18031(d)(3)(B), a section of the Affordable Care Act (ACA), provides that beginning January 1, 2014, if a state law mandates insurers cover benefits on a health insurance exchange that are not included in the final United States Health and Human Services "essential benefits" list, the state will pay any additional costs for those benefits for enrollees for any individual or small group plan issued on or after January 1, 2014. The payment by the state would be either to the insurer offering the coverage or the individual purchasing such plan.

Because in vitro fertilization coverage is not included in the essential benefits list, this new mandated benefit will be a cost to the State of Nebraska to defray the costs associated with any insurer offering qualified health plans in the individual and small group markets in Nebraska. The Department of Insurance estimates that in 2018 approximately 95,500 members were covered by qualified health plans in the individual and small group markets. The entirety of this note reflects only those individuals purchasing qualified health plans through the individual marketplace (more commonly known as the exchange) because currently Nebraska has no qualified health plans being offered in the small business health options exchange.

A wide range of estimated costs exists from numerous sources for the additional costs to insurance plans for in vitro fertilization coverage. The Department requested information from Medica Insurance Company, the only insurer offering a qualified health plan on the individual marketplace. Based on Medica's experience in other states with similar mandates, Medica estimates that additional cost for LB 501 would be \$5,000,000 annually.

Federal regulation, specifically 45 CFR § 155.170(b), require insurers to calculate the actual costs of the new mandate and report it to the state. The state would then make payment to the insurer or individual enrollees in the health plan. The Department presumes that the insurer would ask for the payment by filing a miscellaneous claim against the State of Nebraska.

Presuming the new mandate would begin for qualified plans issued for the new plan year beginning January 1, 2020, the estimated costs associated with LB 501 triggering 42 U.S.C. § 18031(d)(3)(B) for the State of Nebraska would be \$2,500,000 in FY 2019-20 and \$5,000,000 in FY 2020-21.

Any additional regulatory responsibilities of LB 501 on the Department of Insurance, including the possible promulgation of rules and regulations, will be handled by existing staff and resources.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19</u>	<u>2019-20</u>
	<u>18-19</u>	<u>19-20</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....			_____	_____
Operating.....			_____	_____
Travel.....			_____	_____
Capital outlay.....			_____	_____
Aid.....			_____	_____
Capital improvements.....			_____	_____
TOTAL.....			_____	_____