

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2024-25</b>		<b>FY 2025-26</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

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

LB 1274 proposes to require coverage of prosthetics and orthotics at a minimum reimbursement equal to the coverage provided under the federal Medicare program as of January 1, 2024.

The University Systems health care plans currently cover prosthetics and orthotics at the rate as described in the bill. Any increased costs can be absorbed by the University Systems.

The State of Nebraska anticipates an increase of between \$15,000 to \$25,000 annually. There is a fiscal impact to the State of Nebraska health care plans but the increased costs are nominal and can be absorbed by the Department of Administrative Services.

Under the Affordable Care Act (ACA), when a state passes a law that mandates a new health benefit that was not in existence prior to December 31, 2011, the state must make payments to the impacted individual or to a qualified health plan insurer to defray the cost of the additional required benefits. This is done either through reimbursement by the state to the issuer of a Qualified Health Plan (QHP) insurer or the enrollee. Pursuant to the ACA, the insurer quantifies the cost attributable to the new required benefit and that cost is submitted to the state for reimbursement.

The benefits mandated by LB 1274 exceeds coverage beyond what is provided by the ACA; thus, the issuers of Qualified Health Plans estimates that the increased premium costs to their plans would be approximately \$75,000 annually for plans other than for that which provide coverage for State and University System employees.

Under current Nebraska law, these defrayal costs would be paid under the state claims process. These funds would not be appropriated to the Department of Insurance unless other legislation was passed to require the Department of Insurance to account for and pay out these costs.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 1274	AM:	AGENCY/POLT. SUB: University of Nebraska System	
REVIEWED BY: Ryan Walton	DATE: 1/22/2024	PHONE: (402) 471-4174	
COMMENTS: The University of Nebraska System's assessment of no fiscal impact from LB 1274 appears reasonable.			

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 1274	AM:	AGENCY/POLT. SUB: Department of Administrative Services (DAS)	
REVIEWED BY: Ryan Walton	DATE: 1/24/2024	PHONE: (402) 471-4174	
COMMENTS: The DAS assessment of fiscal impact from LB 1274 appears reasonable.			

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

LB: 1274            AM:                            AGENCY/POLT. SUB: Department of Insurance

REVIEWED BY: Ryan Walton                            DATE: 2/9/2024                            PHONE: (402) 471-4174

COMMENTS: The Department of Insurance's assessment of fiscal impact from LB 1274 appears reasonable.

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

**2024**

**LB<sup>(1)</sup> 1274**

**FISCAL NOTE**

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

Prepared by: <sup>(3)</sup> Jennifer Norris Date Prepared: <sup>(4)</sup> 1/18/2024 Phone: <sup>(5)</sup> 402/480-9728

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

**Explanation of Estimate:**

LB 1274 proposes to require coverage of prosthetics and orthotics at a minimum reimbursement equal to the coverage provided under the federal Medicare program as of January 1, 2024.

The State of Nebraska's health plans have spent an average of \$150,000 annually for these services over the past two years.

Enactment of LB 1274 is estimated to increase these costs by \$15,000 to \$25,000 annually. Currently there are some orthotics and prosthetics with a higher Medicare reimbursement than the State's current plans provide. There are also instances where the State's plans pay more than the Medicare reimbursement and that practice will continue.

The State's current medical plans are self-insured, and increased costs will result in increased premium costs, The State pays 79% of the premium and the employee 21%.

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 Benefit expenditures over a four-year period (2020-2023).

<b>Fund Type</b>	<b>Percentage by Fund Type</b>
General Fund	51%
Cash Fund	25%
Federal Fund	19%
Revolving Fund	5%
<b>Total</b>	<b>100%</b>

LB1274, as introduced, has a fiscal impact on the State of Nebraska health plans.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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

**2024**

**LB<sup>(1)</sup> 1274**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Insurance

Prepared by: <sup>(3)</sup> Jordan Blades Date Prepared: <sup>(4)</sup> 2/7/2024 Phone: <sup>(5)</sup> 402-471-4638

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	75,000		75,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>75,000</b>		<b>75,000</b>	

**Explanation of Estimate:**

LB 1274 would create a new state required benefit that health carriers provide coverage for prosthetics and orthotics that is at least equal to the coverage provided under the federal Medicare program, including coverage of prosthetics and orthotics and repairs/replacement of prosthetics and orthotics deemed medically necessary by the covered person’s treating physician.

The Affordable Care Act (ACA) requires the defrayal of all costs of new state required benefits for ACA individual and small group plans. This is done either through reimbursement by the state to the issuer of a Qualified Health Plan (QHP), or the enrollee. Pursuant to the ACA, the insurer quantifies the cost attributable to the new required benefit and that cost is submitted to the state for reimbursement. Under current Nebraska law, these defrayal costs would be paid under the state claims process.

The benefits mandated by LB 1274 mandates coverage beyond what is required by the Affordable Care Act, due to the inability of a QHP to review these claims for medical necessity.

The Department surveyed several QHP issuers to create a cost estimate for the benefits that would be required to be defrayed under this bill. The estimates from QHP issuers for increased premium costs to their plans totaled approximately \$75,000 annually. Please note that the defrayal costs are charged by each individual QHP insurer. Depending upon the relevant population of insureds that have coverage under that insurer. The costs could potentially exceed the estimate provided depending upon actual utilization by all eligible enrollees in the plans. In any instance, the amount spent, pursuant to the ACA, must be reimbursed by the state.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				

Capital outlay.....  
Aid.....  
Capital improvements.....  
TOTAL.....

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

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

2024

**LB <sup>(1)</sup> 1274 Require insurance coverage of prosthetics and orthotics as prescribed FISCAL NOTE**

State Agency OR Political Subdivision Name:<sup>(2)</sup> University of Nebraska System

Prepared by:<sup>(3)</sup> Chris Kabourek Date Prepared:<sup>(4)</sup> 01/19/2024 Phone:<sup>(5)</sup> (402) 472-7102

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	FY 2024 - 25		FY 2025 - 26	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
CASH FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
FEDERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
OTHER FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

**Explanation of Estimate:**

No Fiscal Impact

The University employee health insurance plans currently cover prosthetics and orthotics.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024 - 25 EXPENDITURES</u>	<u>2025 - 26 EXPENDITURES</u>
	<u>24 - 25</u>	<u>25 - 26</u>		
	<u>0</u>	<u>0</u>		
	<u>0</u>	<u>0</u>		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				