

Kentucky Department of Insurance
Financial Impact Statement

BR 1645 HB 365

I. Mandating health insurance coverage of HB 365 is not expected to materially increase administrative expenses of insurers, based upon an analysis of the proposed mandate and our experience with similar health insurance benefits. The mandate prohibits an Insurer from using different cost sharing amounts for mail-order and retail pharmacy filled prescriptions, prohibits the Insurer from requiring an insured to use a mail-order pharmacy to fill any prescription, and prohibits the Insurer from prohibiting any contracted retail pharmacy from filling any covered prescription for the insured as long as they meet the financial terms and conditions for participation established for the mail order option, including price, dispensing fee and cost sharing requirements. The proposed legislation for all insured health benefit plan coverages, not including state employees, is not expected to materially increase administrative expenses.

Mandating health insurance coverage of HB 365 will increase premiums, based upon an analysis of the proposed mandate and our experience with similar health insurance benefits. The mandate prohibits an Insurer from using different cost sharing amounts for mail-order and retail pharmacy filled prescriptions, prohibits the Insurer from requiring an insured to use a mail-order pharmacy to fill any prescription, and prohibits the Insurer from prohibiting any contracted retail pharmacy from filling any covered prescription for the insured as long as they meet the financial terms and conditions for participation established for the mail order option, including price, dispensing fee and cost sharing requirements. It is estimated to increase premiums from approximately 0.0% to 0.2%, or approximately \$0-\$5.5 million annually for all fully insured policies in Kentucky, not including state employees, due to the increased costs for health plans. The increase is approximately \$0.0 to \$1.02 per member per month.

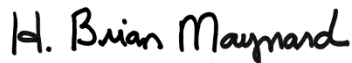
Mandating health insurance coverage of HB 365 will increase the total cost of health care in the Commonwealth, including any potential cost savings that may be realized, based upon an analysis of the proposed mandate and our experience with similar health insurance benefits. The mandate prohibits an Insurer from using different cost sharing amounts for mail-order and retail pharmacy filled prescriptions, prohibits the Insurer from requiring an insured to use a mail-order pharmacy to fill any prescription, and prohibits the Insurer from prohibiting any contracted retail pharmacy from filling any covered prescription for the insured as long as they meet the financial terms and conditions for participation established for the mail order option, including price, dispensing fee and cost sharing requirements. It is estimated to increase the total cost of healthcare from approximately 0.0% to 0.25%, or approximately \$0-\$7 million annually for all fully insured policies in Kentucky, not including state employees, due to the increased costs for health plans. The increase is approximately \$0.0 to \$1.33 per member per month.

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L&E was provided premium, claim and enrollment experience from Carriers that issued health benefit plans in Kentucky during 2015 which was used in our modeling. Our analysis included the use of L&E's prescription drug pricing model, publicly available studies, and the anticipated behavior of both the Insurance Industry and the Consumers as a result of this mandate. The analysis is also based on our interpretation that the proposed legislation does not prohibit the creation of a preferred or narrow pharmacy network but rather if a pharmacy is contracted and agrees to the financial terms and conditions for participation established by the insurer, including price, dispensing fee, and cost-sharing requirements, it be allowed to dispense any covered prescription, including specialty prescriptions.



Brian Stentz, A.S.A. M.A.A.A.
LEWIS & ELLIS, INC.
February 22, 2017



H. Brian Maynard, Commissioner
KY Department of Insurance
February 24, 2017