

Kentucky Department of Insurance
Financial Impact Statement
Health Benefit Mandate Statement, 19 RS BR 1749/HB 512

- I. Mandating health insurance coverage of HB 512, is not expected to materially increase administrative expenses of insurers, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. The mandate requires pharmacists and practitioners, upon dispensing a legend drug or controlled substance, make available at no charge and distribute a nontoxic composition for the sequestration, deactivation, destruction, and disposal of any unused, unwanted, or expired prescription. The proposed legislation for all insured health benefit plan coverages, excluding Medicaid and state employees, is not expected to materially increase administrative expenses of Insurers.

The proposed HB 512, as described above, will increase premiums, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Our estimated increase in premiums for health benefit plans, excluding Medicaid and state employee plans, is approximately \$0.34 to \$0.76 per member per month (PMPM). This represents an increase of approximately 0.1% to 0.2% or approximately \$1.8 million to \$4.0 million for all fully insured policies in Kentucky, excluding Medicaid and state employees, due to the increased costs for health plans.

The proposed HB 512, as described above, will increase the total cost of health care in the Commonwealth, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Our estimated increase in the total cost of health care in the Commonwealth for health benefit plans, excluding Medicaid state employee plans, is approximately \$0.34 to \$0.76 per member per month (PMPM). This represents an increase of approximately 0.1% to 0.15% or approximately \$1.8 million to \$4.0 million for all fully insured policies in Kentucky, excluding Medicaid and state employees, due to the increased costs for health plans.

Our analysis included use of data and statistics from the Kaiser Family Foundation (KFF), an estimated cost per bottle per script ranging from \$1.50 to \$2.50 for the mandated nontoxic composition, and a 2017 Insurer annual data report provided to us by the Kentucky Department of Insurance (KY DOI). We interpret the proposed mandate to require that the nontoxic composition must be made available for all prescribed legend drugs but does not require it to always be dispensed. Our analysis assumes that the nontoxic composition will primarily be dispensed for prescribed controlled substances only. However, if the nontoxic composition product is materially dispensed for prescriptions other than controlled substances, we would expect prescription drug costs to increase significantly more than we've currently assumed.

Note: It is acknowledged that there is potential for long-term savings if drug overdoses are reduced as a result of this proposed mandate. However, we are unaware of any statistically credible analysis performed to date that would warrant inclusion of such savings in this analysis. A full cost analysis was not included in this analysis due to time and financial constraints of the analysis.



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LEWIS & ELLIS, INC.
March 1, 2019



Commissioner, Department of Insurance
March 1, 2019