

**Kentucky Department of Insurance**  
**Financial Impact Statement**  
**Health Benefit Mandate Statement for SB 54/HCS 1**

- I. Mandating health insurance coverage of SB 54/HCS 1, will increase administrative expenses of insurers, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. The following is a brief description of the proposed mandates:
- a) Requires Insurers to develop a process for electronically requesting and transmitting prior authorization requests for prescription drugs. Requires a prior authorization for a prescribed drug to remain valid for 1 year when the drug is prescribed to treat a condition requiring ongoing medication therapy including any change in dosage, unless the drug is otherwise prohibited by state or federal law, deemed unsafe by the FDA or the provider stops prescribing the drug; This prior authorization is subject to specific exclusions such as not applying to:
    - medications that are prescribed for a non-maintenance condition,
    - medications that have a typical treatment period of less than 12 months,
    - medications where there is medical or scientific evidence that do not support a 12-month approval or
    - Medications that are opioid analgesics or benzodiazepines.
  - b) Requires Insurers to make the following readily available on its website:
    - Written procedures for utilization review plans that these procedures cannot be enforced unless it's been updated on the insurer's website
    - List of services requiring prior authorization
    - The date when prior authorization began for each service and when the requirement was listed on the insurer's website
    - If applicable, the date when prior authorization was removed
  - c) Requires that utilization review services be performed only by physicians who are of the same specialty and subspecialty, when possible, as the ordering provider; and
  - d) Requires Insurers or their agent to render a utilization review decision, after obtaining all necessary information, no later than twenty-four hours for urgent care services, and within Seventy-two hours for nonurgent care services.

Our estimated increase in administrative expenses for health benefit plans, not including state employee plans, is approximately \$0 to \$0.54 per member per month (PMPM). This represents an increase of approximately 0 % to 0.5% or approximately \$0 to \$2.8 million for all fully insured policies in Kentucky, not including state employees, due to the increased costs for health plans.

The proposed SB 54/HCS 1, 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, not including state employee plans, is approximately \$0 to \$0.54 per member per month (PMPM). This represents an increase of approximately 0.0% to 0.1% or approximately \$0 to \$2.8 million for all fully insured policies in Kentucky, not including state employees, due to the increased costs for health plans.

The proposed SB 54/HCS 1, 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, is approximately \$0 to \$0.54 per member per month (PMPM). This represents an increase of approximately 0 % to 0.1% or approximately \$0 to \$2.8 million for all fully insured policies in Kentucky, not including state employees, due to the increased costs for health plans.

Our analysis included the use of data and statistics from L&E's medical manual, actuarial judgement and a 2017 Annual Data Report provided by The Kentucky Department of Insurance (KY DOI). We have estimated Insurer administrative costs could increase by up to 0.5% due to the additional requirements and time restrictions being mandated regarding utilization reviews and prior authorization, which was based on actuarial judgement. We acknowledge that some of these estimated increases in administrative costs may likely be reduced over the long term after Insurers develop the necessary procedures and documentation needed to become compliant. Our estimated increase in premiums is due to the noted additional administrative costs. While there may be some minor claim cost impact as a result of the new prior authorization requirements, we consider these to be immaterial at this time.



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Commissioner, Department of  
Insurance

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