

**Kentucky Department of Insurance
Financial Impact Statement**

- I. Mandating health insurance coverage of BR1299 / HB423, 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 prohibits an insurer or pharmacy benefit manager (PBM) from the following:
- a. Receiving a rebate, a reduction in price or any other remuneration from a manufacturer for the provision of certified insulin to a covered person unless the reduction of price is reflected at the point of sale or the remuneration is a flat fee-based service in which a manufacturer of certified insulin pays a PBM for services rendered to the manufacturer that relate to arrangements by the PBM to provide PBM services to a health plan or insurer, if conditions established by the commissioner are met, including that the fees are transparent to the insurer;
 - b. Restrict or disadvantage certified insulin from the formulary applicable to any health plan or coverage, relative to any other insulin or similar formulation;
 - c. Impose a higher cost-sharing on a covered person with respect to certified insulin than the cost-sharing that applied with respect to insulin in the year in which the insulin was certified;
 - d. Apply any deductible requirements for coverage of certified insulin;
 - e. Impose any prior authorization requirements for coverage of certified insulin that were not applied during the year in which the insulin was certified;
 - f. Establish a step therapy requirement for certified insulin that was not applied during the year in which the insulin was certified;

The proposed legislation for all insured health benefit plan coverages, not including state employees, is not expected to materially increase administrative expenses of Insurers.

The proposed BR1299 / HB423, 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 \$0.16 per member per month (PMPM). This represents an increase of approximately 0% to 0.03% or approximately \$0.0 to \$0.7 million for all fully insured policies in Kentucky, not including state employees, due to the increased costs for health plans.

The proposed BR1299 / HB423, 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 \$0.0 to \$0.16 per member per month (PMPM). This represents an increase of approximately 0.0% to 0.03% or approximately \$0.0 to \$0.7 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 American Diabetes Association reports titled "The Burden of Diabetes in Kentucky", "Insulin Affordability Survey, 2018" and "Statistics about Diabetes", a report on "Insulins: Prices, Rebates, and Other Factors Influencing Costs" by the PCMA, a CDC report on "Age-Adjusted Percentage of Adults with Diabetes Using Diabetes Medication", a report by the Henry J Kaiser Family Foundation on Kentucky Health Insurance Coverage of Population, actuarial judgement, and a 2018 Insurer annual data report provided to us by the Kentucky Department of Insurance (KY DOI).

Disclosure: L&E made several assumptions in performing the analysis. Several of these assumptions are subject to material uncertainty and it is not unexpected that actual results could materially differ from these estimates if a more in-depth analysis were to be performed. Examples of uncertainty inherent in the assumptions include, but are not limited to 1) data limitations, 2) the actual rebates and discounts that are currently being paid for insulin drugs, 3) the percentage of these rebates that are currently being passed along at the point of sale, 4) the potential changes in available Health Benefit Plan designs as a result of the proposed mandate and 5) the potential increase of insulin drug utilization as a result of reduced cost sharing requirements. However, there is also a potential reduction in overall medical claim costs as a result of improved adherence to insulin drug treatments.

Disclosure: Due to the material disclosure requirements required therein, we must acknowledge that the content of this report may not comply with Actuarial Standard of Practice No. 41 Actuarial Communications.



Brian Stentz, A.S.A. M.A.A.A.
LEWIS & ELLIS, INC.
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(Signature of Commissioner/Date)

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