

**Kentucky Department of Insurance
Financial Impact Statement**

I. Mandating health insurance coverage of BR 1005, 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 health benefit plans to provide coverage for prosthetic and orthotic devices, with coverage defined as being the most appropriate prosthetic and orthotic devices that are determined by a treating physician to be medically necessary to restore a covered person's functionality to optimal levels. Coverage for these devices may be subject to the same cost-sharing that applies to other medical devices and services covered by the health benefit plan. In addition, the reimbursement for these devices shall be no less favorable than the reimbursement provided by the health benefit plan for other medical devices and services and at a minimum shall be equal to the reimbursement provided by Medicare's current fee schedule for the same or substantially similar devices or services. Plans are not required to cover repair or replacement of devices due to misuse, malicious damage, gross neglect, or if they are lost or stolen. 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 BR 1005, 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 \$0.00 to \$1.47 per member per month (PMPM). This represents an increase of approximately 0.0% to 0.3% or approximately \$0.0 to \$6.9 million for all fully insured policies in Kentucky, excluding Medicaid and state employees, due to the increased costs for health plans.

The proposed BR 1005, 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, not including state employee plans, is approximately \$0.00 to \$1.47 per member per month (PMPM). This represents an increase of approximately 0.0% to 0.3% or approximately \$0.0 to \$6.9 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 Amputee Coalition of America (ACA), a report from the Advanced Amputee Solutions, a report by the Washington Sunrise Review Process based on analysis of similar legislation in Washington "Prosthetics and Orthotics Coverage Mandated Benefit Sunrise Review" and a 2018 Insurer annual data report provided to us by the Kentucky Department of Insurance (KY DOI).

Note: Most health benefit plans currently have prosthetics and orthotics coverage at some level. However, there can be an extremely large cost difference between the highest costing prosthetic & orthotic devices compared to the average. Our estimated increase in health care costs is primarily attributed to health benefit plans now possibly having to cover the more expensive prosthetic and orthotic devices in order to restore a covered person's functionality to optimal levels.

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.
February 4, 2020

 2/5/2020
(Signature of Commissioner/Date)