

**Kentucky Department of Insurance
Financial Impact Statement**

- I. Mandating health insurance coverage of BR306 / SB33, 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 insurance policies to apply the fair market value of covered health care services received by a covered person at a no-cost or reduced cost facility to any deductible or out-of-pocket maximum (OOPM) owed under the policy. This requirement also applies to health care services provided by an out of network (OON) provider if the policy covers those services when they are provided by an in-network provider. For prescription drugs, the fair market value is defined as the retail value of the drug. For all other health care services, the fair market value is defined as the amount determined by the health care provider that provided the service. 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 BR306 / SB33, as described above, will increase premiums in the Commonwealth, 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 \$4.42 to \$13.26 per member per month (PMPM). This represents an increase of approximately 0.8% to 2.5% or approximately \$20.8 to \$62.4 million for all fully insured policies in Kentucky, not including state employees, due to the increased costs for health plans.

The proposed BR306 / SB33, 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 \$4.42 to \$13.26 per member per month (PMPM). This represents an increase of approximately 0.8% to 2.5% or approximately \$20.8 to \$62.4 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 2018 Annual Data Report provided by DOI.

Disclosure: L&E made several assumptions in performing this 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 percentage of OON providers that would increase their current billed charges, which could then be reduced allowing the difference applied to the Insured's out of pocket maximums, 3) the magnitude of such increases in billed charges and 4) the increase in utilization as a result of out of pocket maximums being reached faster than before the mandate.

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.



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LEWIS & ELLIS, INC.
March 2, 2020



3/3/2020

(Signature of Commissioner/Date)

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