

**Kentucky Department of Insurance  
Financial Impact Statement**

- I. Mandating health insurance coverage of BR35 will increase premiums, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. The mandate requires the following:
- a. Requires insurers to submit to the Department of Insurance (DOI) on an annual basis all of the billed charges it receives from both participating and nonparticipating providers for each health care service. The DOI will provide the reported information to a nonprofit organization to maintain a database of the billed charges to be used as a benchmark for determining the UCR for health care services. UCR is defined as the 80th percentile of all charges for a particular health care service performed by a health care professional in the same or similar specialty and in the same geographical area.
  - b. Requires insurers to reimburse nonparticipating providers for unanticipated out-of-network (OON) care for its insureds, at the greater of the insurer's median in-network rate for the current year or the insurer's median in-network rate for 2019, less any applicable cost sharing owed by the insured. If the insurer has insufficient information to determine the median in-network rate, it shall be the median in-network rate recognized by all health plans offered in the same line of business for the health care service furnished in a geographic region using a database or other source of information as determined appropriate by the commissioner. The cost-sharing is not to exceed the cost-sharing that would've been owed if the services had been provided by a participating provider. The nonparticipating provider who is reimbursed for the unanticipated OON care shall not balance bill the covered insured. Unanticipated emergency care does not include nonemergency health care services when the insured voluntarily selects in writing a nonparticipating provider prior to the provision of services.
  - c. Other items included in the bill are a dispute resolution program, voluntary opt-in for health plans not otherwise required to comply, required disclosures in writing to a covered person, and actions in response to referrals of intentional violation.

Our estimated increase in premiums for health benefit plans, not including state employee plans, is approximately \$0.00 to \$9.83 per member per month (PMPM). This represents an increase of approximately 0.0% to 1.7% or approximately \$0 to \$44.6 million for all fully insured policies in Kentucky, not including state employees, due to the increased costs for health plans.

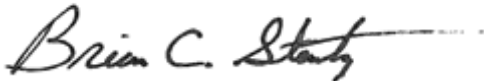
The proposed BR35, as described above, will increase the total cost of health care in the Commonwealth, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Our estimated increase in the total cost of health care in the Commonwealth for health benefit plans, is approximately \$0 to \$9.83 per member per month (PMPM). This represents an increase of approximately 0.0% to 1.7% or approximately \$0 to \$44.6 million for all fully insured policies in Kentucky, not including state employees, due to the increased costs for health plans.

The proposed BR 35, as described above, 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 proposed legislation for all insured health benefit plan coverages, not including state employees, is not expected to materially increase administrative expenses of Insurers. It is our assumption that Insurers will have this information readily available and the additional administrative requirements imposed by this mandate would not significantly impact the administrative costs relative to current levels.

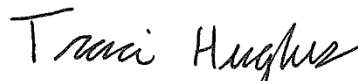
Our analysis included the use of data and statistics from L&E’s medical manual, actuarial judgement, and a 2019 Annual Data Report provided by DOI.<sup>1</sup>

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 percentage of insureds receiving unanticipated emergency health care services who are able and sign a potentially ineffective and/or confusing waiver acknowledging the use of a nonparticipating provider, 3) the number of nonparticipating providers that would utilize the dispute resolution process as opposed to accepting the Insurer’s median reimbursement rate for participating providers, 4) how close the participating provider’s median reimbursement rate compares to the average reimbursement rate currently paid to nonparticipating providers for unexpected emergency health care services and 5) how close the independent reviewer’s final determined amounts will be to the average median in-network reimbursement rate compared to the nonparticipating provider’s average billed charges.

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.  
January 8, 2021



Traci Hughes, A.S.A. M.A.A.A.  
LEWIS & ELLIS, INC.  
January 8, 2021



(Signature of Commissioner/Date)

**FIS Actuarial Form 6-03**

---

<sup>1</sup> Additionally, as a reasonableness check on our assumptions, a Virginia financial impact statement for a similar bill (VA HB58) was used as a reference