

**Kentucky Department of Insurance
Financial Impact Statement**

SB 45 HCS HM Statement

- I. Mandating health insurance coverage of SB 45 HCS will increase premiums, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. The mandate prohibits insurers from excluding any cost-sharing amounts paid by an insured or on behalf of an insured by another person¹, when calculating an insured's contribution to any applicable cost-sharing requirement, except in the case of a prescription drug for which there is a generic alternative, unless the prescriber determines that the brand prescription drug is medically necessary or the insured has obtained access to the brand prescription drug through prior authorization, a step therapy protocol, or the insurer's exceptions and appeals process. Our estimated increase in premiums for health benefit plans, excluding Medicaid and state employee plans, is approximately \$0.00 to \$0.99 per member per month (PMPM). This represents an increase of approximately 0.0% to 0.2% or approximately \$0.0 to \$4.5 million for all fully insured policies in Kentucky, excluding Medicaid and state employees, due to the increased costs for health plans.

The proposed SB 45 HCS, 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, excluding Medicaid state employee plans, is approximately \$0.00 to \$0.99 per member per month (PMPM). This represents an increase of approximately 0.0% to 0.2% or approximately \$0.0 to \$4.5 million for all fully insured policies in Kentucky, excluding Medicaid and state employees, due to the increased costs for health plans.

The proposed SB 45 HCS, as described above, will not materially increase administrative expenses of insurers, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits.

Our analysis included use of data and statistics from L&E's medical and prescription drug manual, a Congressional Research Services Report "Prescription Drug Discount Coupons and Patient Assistance Programs (PAPs)", a USC Schaeffer White Paper "A Perspective on Prescription Drug Copayment Coupons", a paper named "When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization," actuarial judgement and a 2019 Insurer annual data report provided to us by the Kentucky Department of Insurance (KY DOI).

Note: The proposed bill has a new definition for "health plan", which includes health benefit plans. Additionally, the word "benefit" was removed from health benefit plan (i.e., health [benefit] plan), which implies this proposed mandate may impact non-health benefit plan products. Our analysis only includes the impact to health benefit plans.

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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February 25, 2021



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February 25, 2021



(Signature of Commissioner/Date)

FIS Actuarial Form 6-03

¹ Our analysis assumed any cost-sharing paid on behalf of an insured by another person includes assistance from any discount, payment, product voucher, coupon, or other assistance that is offered or provided by a drug manufacturer, nonprofit group, or other third-party to pay, or reduce, the cost of a prescription drug for an insured or the insured's cost sharing requirements associated with the prescription drug.