

Fiscal Impact Report - BR1443/HB421 GA *Coverage of Colorectal Cancer Screening*

PREPARED FOR THE KENTUCKY DEPARTMENT OF INSURANCE

MARCH 7, 2025

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Introduction

Lewis & Ellis, LLC (L&E) was engaged by the Kentucky Department of Insurance (KY DOI) to perform a fiscal impact analysis of BR1443/HB421 GA, which would mandate that health benefit plans provide coverage for:

1. United States Food and Drug Administration (FDA) approved bowel preparation prescriptions in connection with a colorectal cancer examination or laboratory test. This coverage shall not be subject to cost-sharing nor prior authorization except to determine compliance with guidelines provided in the bill.
2. Colorectal examinations and laboratory tests administered at a frequency consistent with guidelines provided in the bill. This coverage shall not be subject cost-sharing nor prior authorization except to determine compliance with guidelines provided in the bill.

Kentucky Revised Statute (KRS) 6.948^a mandates that the sponsor of any bill proposing a health benefit mandate must request a financial impact statement from the Kentucky Department of Insurance (DOI). This statement must be completed within 30 days of the request and should include the following:

1. An assessment of the impact of the mandated health benefit on administrative expenses, premiums, and the overall cost of healthcare including any potential future cost savings.
2. Supporting documentation, including studies, written opinions, calculations, and citations that validate the findings and conclusions.
3. An estimate of any potential cost savings in the future, along with an explanation of why the bill would or would not lead to such savings, and
4. A certification confirming the accuracy of the information provided.

Additionally, KRS 6.948 mandates that the sponsor of any bill proposing a health benefit mandate must also request a federal cost defrayal impact statement from the Kentucky DOI. This statement must be completed within 30 days of the request. The federal defrayal cost impact statement shall:

1. Indicate whether a bill or amendment that contains a mandated health benefit may result in the state being required to make payments to defray costs.
2. If applicable, indicate which provision(s) of the bill or amendment may trigger the requirement to make payments to defray the costs.
3. If applicable, include an estimate of the payment amount that the state may be required to make if the bill or amendment is enacted into law.

L&E is tasked with performing the health mandate fiscal impact and federal cost defrayal impact analyses for the Kentucky insurance market, excluding the Kentucky Employee Health Plan (KEHP) and the Kentucky Medicaid programs. The fiscal impact analyses for these programs are performed by other entities. For this analysis, L&E reviewed literature, gathered statistics from public sources^b, and used data from the KY DOI's 2023 Insurer Annual Data report.

^a As amended by 2024 House Bill 635.

^bIncluding reports for other states who have considered or passed similar legislation.

Administrative Expense Impact Analysis

The proposed bill is estimated to have **an immaterial (within +/- 0.05%) impact on administrative expenses**, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. It is our assumption that insurers either already provide coverage for the mandated benefits or the additional administrative requirements imposed by this mandate would not significantly impact the administrative costs relative to current levels.

Premium Impact Analysis

To estimate BR1443/HB421 GA's premium impact, L&E evaluated data from KY DOI's 2023 Insurer Annual Data report and publicly available sources. L&E used the collected information and data to estimate the aggregate premium impact range.

INFORMATION CONSIDERED

The following information was considered in determining the premium impact estimate:

- Coverage of colorectal examinations and laboratory tests are already mandated with no cost-sharing in Kentucky. The proposed bill would expand the mandated coverage guidelines for those under age 45 and at high risk for colorectal cancer and would prohibit prior authorization other than to determine compliance with guidelines provided in the bill.
- The difference between the guidelines currently mandated American Cancer Society (ACS) and the proposed additional guidelines from the United States Multi-Society Task Force on Colorectal Cancer (USMSTF) is minimal. The ACS recommends individual age 45 and under be screened based on a first-degree relative diagnosis under age 60 or two first-degree relative diagnoses at any age. The ACS also recommends screening start at age 40 or 10 years before the youngest diagnoses in the family, whichever is earlier. The USMSTF recommends the same criteria and protocol, however, clarifies that screening should be repeated every 5 years. Furthermore, the ACS generically recommends screenings for individuals with other diagnoses that indicate high-risk for colon cancer. The USMSTF more specifically outlines high-risk diagnoses and screening protocols specifying age and repetition (e.g., The USMSTF specifies that individuals with Lynch Syndrome should begin screening at age 20-25 or 2 years before the youngest colon cancer diagnosis in the family, repeating every 1-2 years).^{1 2}
- Bowel preparation drugs are covered by the State's BMP formulary within the gastrointestinal agent category, under the anti-constipation agent drug class. The proposed bill would introduce the requirement for the coverage to be without cost-sharing to the insured and would prohibit prior authorization other than to determine compliance with guidelines provided in the bill.
- The diagnosis rate for colorectal cancer in individuals under age 55 is approximately 0.01%.^{3 4}
- Less than 20% of newly eligible adults (age 45-49) are up to date with recommended screenings.⁵
- The median cost-sharing to an insured for bowel preparation drugs is \$10-\$60, depending on the type of bowel preparation drug.⁶

RESULTING PREMIUM IMPACT ESTIMATE

Given the information outlined in the prior subsection of this report, the proposed bill is estimated to have **an immaterial (within +/- 0.05%) impact on premium**, based upon our analysis of the proposed mandate.

Total Cost of Health Care Impact Analysis

L&E defines ‘Total Cost of Health Care’ as being equal to the sum of the Allowed Cost (i.e., the amount paid by the insurer plus the amount paid by the insured) and the insurer Non-Benefit Expenses. Additionally, as required by KRS 6.948, L&E considered the impact of potential future cost savings.

POTENTIAL FOR FUTURE COST SAVINGS

L&E acknowledges the potential for long-term cost savings if colorectal screenings were to replace or prevent higher-severity claims, such as treatment of late-stage colorectal cancer. However, given the level of current coverage, L&E does not anticipate this mandate to materially alter the current mix of services. Based on experience and actuarial judgment, L&E estimates the impact of potential future savings as a result of the BR1443/HB421 GA to be immaterial (within +/- 0.05%).

RESULTING TOTAL COST OF HEALTH CARE IMPACT ESTIMATE

The proposed bill is estimated to have **an immaterial (within +/- 0.05%) impact on total cost of health care**, including potential future cost savings, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits.

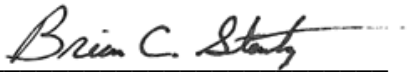
Cost Defrayal Impact Analysis

Based on L&E’s research and actuarial judgment, L&E determined that this bill does not contain a mandated health benefit that would result in the state being required to make payments to defray costs under 42 U.S.C sec 18031(d)(3) and 45 C.F.R. sec 155.170, as amended. This is based on the understanding that cost sharing mandates do not trigger defrayal, that coverage for colorectal examinations and laboratory tests are already mandated and covered by the state’s benchmark plan, and that bowel preparation drugs are covered by the state’s benchmark plan prescription drug formulary, gastrointestinal agent category, anti-constipation agent drug class.

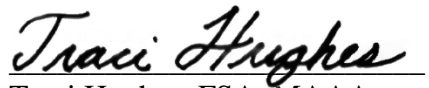
L&E has disclosed its defrayal determination based on its earnest interpretation of federal guidance available as of the date of this report. However, determination of defrayal is ultimately under the regulatory purview of Centers for Medicare and Medicaid Services (CMS).

Certification of Accuracy

L&E believes the estimates are accurate based on the information disclosed in the report. To the extent that there are material inaccuracies, misrepresentations, or lack of adequate disclosure in the data, the results may be accordingly affected. Several of the assumptions made in this analysis are subject to uncertainty and it is expected that actual results could differ from the calculated estimates.



Brian Stentz, ASA, MAAA, FCA
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3/7/2025

(Signature of Commissioner/Date)

ASOP 41 Disclosures

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations^c, promulgates actuarial standards of practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct^d, to observe the ASOPs of the ASB when practicing in the United States. ASOP 41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained in the following.

Identification of the Responsible Actuary

The responsible actuaries are:

- Brian Stentz, ASA, MAAA, FCA Vice President & Principal
- Traci Hughes, FSA, MAAA, Vice President & Principal

These actuaries are available to provide supplementary information and explanation.

Identification of Actuarial Documents

The date of this document is March 7, 2025. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is March 7, 2025.

Disclosures in Actuarial Reports

- The contents of this report are intended for the use of the Kentucky Department of Insurance. The authors of this report are aware that it may be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis, LLC is financially and organizationally independent from the health insurers and providers involved in this analysis. There is nothing that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the Kentucky Department of Insurance in assessing the financial impact and federal cost defrayal impact of proposed legislation that includes a proposed health benefit mandate.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- L&E has reviewed the data provided by the insurers and Kentucky Department of Insurance for reasonableness, but the data has not been audited. L&E nor the responsible actuaries assume responsibility for these items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

^c The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

^d These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- Several of the assumptions made in this analysis are subject to uncertainty and it is not unexpected that actual results could differ from the calculated estimates.
- L&E is not aware of any subsequent events that may have a material effect on the findings.
- There are no other documents or files that accompany this report.

Actuarial Findings

The actuarial findings of the report can be found in the body of this report.

Bibliography

- ¹ Rex, D. K., Boland, C. R., Dominitz, J. A., Giardiello, F. M., Johnson, D. A., Kaltenbach, T., ... & Robertson, D. J. (2017). Colorectal cancer screening: Recommendations for physicians and patients from the US Multi-Society Task Force on Colorectal Cancer. *The American Journal of Gastroenterology*, 112(7), 1016-1030. <https://doi.org/10.1038/ajg.2017.174>
- ² American Cancer Society. (n.d.). American Cancer Society recommendations for colorectal cancer screening. Retrieved [date], from <https://www.cancer.org/cancer/types/colon-rectal-cancer/detection-diagnosis-staging/acs-recommendations.html>
- ³ American Cancer Society. (n.d.). *Cancer statistics center: Kentucky*. Retrieved February 21, 2025 <https://cancerstatisticscenter.cancer.org/#!/state/Kentucky>
- ⁴ Katella, K. (2024, January 17). *Colorectal cancer: What Millennials and Gen Zers need to know*. Yale Medicine. <https://www.yalemedicine.org/news/colorectal-cancer-in-young-people>
- ⁵ American Cancer Society. (n.d.). *People 45-49 not getting screened for colorectal cancer*. Retrieved February 21, 2025 from <https://www.cancer.org/research/acs-research-highlights/colon-and-rectal-cancer-research-highlights/screening---early-detection-colorectal-cancer-studies/people-45-49-not-getting-screened-for-colorectal-cancer.html>
- ⁶ Peterson, E. (2024, August 4). *Most patients have out-of-pocket costs for bowel prep*. Colon Cancer Coalition. <https://coloncancercoalition.org/2024/08/04/most-patients-have-out-of-pocket-costs-for-bowel-prep/>

Kentucky Department of Insurance
Initial Cost Defrayal
Statement

After reviewing HB 421 as currently drafted, the Department's initial determination is that this bill does not contain a mandated health benefit that would result in the state being required to make payments to defray costs under 42 U.S.C sec 18031(d)(3) and 45 C.F.R. sec 155.170, as amended.

Therefore, a cost defrayal analysis will not be performed.

Sharon P. Clark

2/19/2025

(Signature of Commissioner/Date)