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**Kentucky Department of Employee Insurance
State Employee Health Plan Impact Statement
BR 278 / HB 423 HCS1 – Prior Authorizations
March 4, 2025**

Mandating health insurance coverage as required by BR 278 / HB 423 is expected to increase premiums, based upon the preliminary analysis of our Third-Party Administrator (“TPA”), Anthem, of the proposed mandate and experience with similar health insurance benefits. The proposed mandate requires that health benefit plans, including the Kentucky Employees’ Health Plan (“KEHP”), create a provider-level exemption from prior authorization limitations. House Committee Substitute 1 does not affect the impact the KEHP, so the underlying analysis remains the same.

The estimated annual cost increase to KEHP is between \$7.0 to 16.4 million effective in Plan Year 2026. This represents an annual increased cost of between \$49.08 and \$114.98 per planholder/employee based on current enrollment and utilization. Because the KEHP trust is funded by employee and employer premium contributions, this amount will necessitate an increase in plan premiums to be borne by the same. The range in this estimate is a result of bill language giving insurers flexibility as to whether prior authorization exemptions are made at the individual-practitioner or practice-group level. Exemptions made at the group level would result in a higher cost and at the individual level would result in lower costs. Ultimately, insurers and/or third-party administrators would be responsible for making that business determination during implementation, if necessary.

Our analysis is limited to the impact on KEHP.

Disclosure: Estimated impacts for KEHP on a per-member basis may be lower than would otherwise apply to a smaller health plan in the commercial space, due to the benefits of a larger risk pool, the nature of existing KEHP coverages, the use of tailored cost avoidance programs, and/or the ability to have greater purchasing power in the marketplace. Estimates are based on recent KEHP enrollment data which is subject to change.

Disclosure: Anthem made several assumptions in performing the analysis. Several of these assumptions are subject to uncertainties about future utilization and medical costs, and it is not unexpected that actual results could materially differ from these estimates if a more in-depth analysis were to be performed.

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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