

## Department of Planning and Budget 2013 Fiscal Impact Statement

**1. Bill Number:** HB 2030

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Peace

**3. Committee:** Commerce and Labor

**4. Title:** Health insurance; installment payments of cost-sharing obligations

**5. Summary:** The bill requires health plans to allow certain covered persons to pay their cost-sharing obligations under their health benefit plan in 12 equal monthly installments. The option is to be provided to covered persons who are reasonably expected to incur cost-sharing obligations as a result of their pharmacy benefits that exceed their total annual cost-sharing obligations under their health benefit plan.

The bill contains a second enactment clause stating that it takes effect on January 1, 2014.

**6. Budget Amendment Necessary:** Yes. See Item 8.

**7. Fiscal Impact Estimates:** Indeterminate. See Item 8.

**8. Fiscal Implications:** According to the Department of Human Resource Management (DHRM) the bill could have a significant impact on the state health plan if the bill as written constitutes a mandate and applies to the plan. DHRM is seeking a legal opinion to determine the bill's applicability to the state health plan. Assuming that the bill does apply to the state employee health plan, the fiscal impact to the plan is estimated by DHRM to be approximately \$16 million per year, because compliance would require prescription drug expenses to apply to the out-of-pocket maximum in COVA Care, the plan's Preferred Provider Organization (PPO) option. Currently, prescription drugs copayments do not count toward the out-of-pocket maximum. This \$16 million represents the increased cost for the plan resulting from members reaching their out-of-pocket maximums more quickly and the plan covering a larger share of member's drug costs. The \$16 million impact would be paid for from the following sources: \$7,108,334 general fund, \$6,140,988 nongeneral fund, \$1,745,178 in employee premiums, and \$1,005,500 in retiree premiums.

This requirement would be difficult to administer for the PPO plan—the PPO's third party administrator has informed DHRM that it could not provide an automated solution to include prescription drug costs in the out-of-pocket calculations prior to July 1, 2014, six months after the effective date. For the last half of the plan year beginning July 1, 2013, the third party administrator could develop a workaround that would involve nightly batched filing of claims and manual adjustments as needed, meaning that claims would not accumulate to the out-of-pocket calculation in real time, which may create confusion.

**9. Specific Agency or Political Subdivisions Affected:** Department of Human Resource Management.

**10. Technical Amendment Necessary:** None.

**11. Other Comments:** No.

**Date:** 1/29/13

**Document:** G:\GA Sessions\2013 Session\HB2030.docx