TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 2185 - HB 2627

March 2, 2018

SUMMARY OF BILL: Requires health benefit plans to provide coverage for contraception and other women's preventative health services. Prohibits a health benefits plan from imposing a deductible, coinsurance, copayment, or any other cost-sharing requirement. Requires benefits for an enrollee to be the same for an enrollee's covered spouse or domestic partner and covered non-spouse dependents. Provides exemptions for certain religious employers. The proposed legislation is effective January 1, 2019.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – $868,600/FY18-19
$1,737,200/FY19-20 and Subsequent Years

Increase Federal Expenditures – $197,200/FY18-19
$394,300/FY19-20 and Subsequent Years

Increase Local Expenditures – Exceeds $1,000/FY18-19*
Exceeds $2,100/FY19-20 and Subsequent Years*

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation will result in an increase in the cost of health insurance premiums for procedures and treatments being provided by plans that do not currently offer these benefits at the proposed mandated levels. It is estimated that the increase to each individual's total premium will be less than one percent. A one percent increase in premium rates could range between $50 (single coverage) and $140 (family coverage) depending on the type of plan.

Assumptions:

- Based on information provided by the Division of TennCare (Division), the Division does not currently cover over-the-counter, non-systemic contraceptives such as condoms and spermicide.
- There are currently 460,763 females between the age of 16 and 45 on TennCare. The average monthly price of spermicide is $13.50. There are 249,137 males age 16 to 50 on TennCare. The average monthly price of condoms is $10.20.

- Assuming 5 percent of females or 23,038 (460,763 x 5.0%), would access such coverage, the increase in expenditures is estimated to be $311,013 (23,038 enrollees x $13.50).
- Assuming 5 percent of males or 12,457 (249,137 x 5.0%), would access such coverage, the increase in expenditures is estimated to be $127,061 (12,457 enrollees x $10.20).
- Over-the-counter contraceptives would not be available for any federal rebates.
- For this analysis, it is assumed all contraceptive products will receive matching funds at a rate of 90 percent in federal funds and 10 percent in state funds.
- The increase total in expenditures to the Division is estimated to be $438,074 ($311,013 + $127,061). Of this amount, $394,267 ($438,074 x 90.0%) will be in federal funds and $43,807 ($438,074 x 10.0%) will be in state funds.
- Based on information provided by the Department of Finance and Administration, the Division of Benefits Administration (Benefits Administration), voluntary sterilization for male policyholders is not a covered benefit.
- Based on claims data for vasectomies, out-of-pocket costs totaled $23,302 per year.
- The proposed legislation will require Benefits Administration to cover this cost.
- The recurring increase in expenditures is estimated to be $23,302.
- It is estimated that 52 percent of members are on the state plan, 39 percent are on the Local Education Plan, and the remaining 9 percent of members are in the Local Government Plan.
- According to Benefits Administration, the state contributes 80 percent of member premiums resulting in a recurring increase in state expenditures of $9,694 ($23,302 x 52.0% x 80.0%).
- According to Benefits Administration, the state contributes 45 percent of instructional staff premiums (75 percent of Local Education Plan members) and 30 percent of support staff members premiums (25 percent Local Education Plan members) resulting in an increase in state expenditures estimated to be $3,749 [($23,302 x 39.0% x 75.0% x 45.0%) + ($23,302 x 39.0% x 25.0% x 30.0%)].
- According to Benefits Administration, some state plan members' insurance premiums are funded through federal dollars. It is estimated 0.82 percent of the state share of the state plan is funded with federal dollars, resulting in an increase in federal expenditures estimated to be $79 ($9,694 x 0.82%).
- The state does not contribute to the Local Government Plan; any increase in premiums will be entirely absorbed by the participating agencies and their members.
- It is estimated the Local Government Plan would be responsible for a mandatory increase in local expenditures estimated to be $2,097 ($23,302 x 9.0%)
- It is unknown the impact on local governments that do not opt into the Local Government Plan; therefore, the total increase in local expenditures is estimated to exceed the $2,097 increase to the state plan.
- The total increase in state expenditures for Benefits Administration is estimated to be $13,364 ($9,694 + $3,749 - $79)
- The Affordable Care Act requires states to defray the costs of state-mandated benefits in qualified health plans (QHPs) that are in excess of the essential health benefits (EHB).

- The state will be required to defray the cost of benefits required in the proposed legislation because the benefits exceed those provided under Tennessee's EHB benchmark plan.
- Based on information provided by the Department of Commerce and Insurance (DCI), it is estimated there will be a total QHP population of approximately 200,000 for calendar year 2018. As of January 1, 2018, DCI surveys showed approximately 166,000 individuals were covered on the exchange and approximately 10,000 individuals were covered off the exchange.
- The state would be responsible for the amount of premium attributed to the new benefit or the insurance carrier's actual costs. The estimate in this fiscal note assumes the state will reimburse the health insurance carrier for the amount of premium attributed to the new benefit.
- Based on cost data estimates from a carrier currently offering QHPs in Tennessee, it is estimated that the annual increase for the new benefit is $0.70 per member per month.
- The recurring increase in state expenditures is estimated to exceed $1,680,000 (200,000 individuals x $0.70 per member x 12 months) due to the multiple treatments for which the state would be required to defray the cost.
- The total recurring increase in state expenditures is estimated to be $1,737,171 ($43,807 + $13,364 + $1,680,000).
- The total recurring increase in federal expenditure is estimated to be $394,346 ($394,267 + $79).
- Due to the effective date of January 1, 2019, the increase in expenditures in FY18-19 is estimated to be $868,586 for the state ($1,737,171 x 50%), $197,173 for the federal government ($394,346 x 50%), and to exceed $1,049 for the local government ($2,097 x 50%).

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds $1,066,800/18-19
Exceeds $2,133,600/19-20 and Subsequent Years

Increase Business Expenditures – Exceeds $1,066,800/18-19
Exceeds $2,133,600/19-20 and Subsequent Years

Assumptions:

- Healthcare providers will experience a recurring increase in business revenue for providing contraceptive services estimated to exceed $2,133,616 ($1,737,172 + $394,347 + $2,097). Due to the effective date of January 1, 2019, the increase in business revenue in FY18-19 is estimated to be $1,066,808 ($2,133,616 x 50.0%).
- The estimated increase in business expenditures is estimated to exceed $1,066,800 in FY18-19 and exceed $2,133,616 in FY19-20 and subsequent years.
- For companies to retain solvency, any increased expenditures will be less than the amount of revenue collected.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

/jem