



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 237 of the 128th G.A.

Date: February 8, 2010

Status: As Introduced

Sponsor: Rep. Newcomb

Local Impact Statement Procedure Required: Yes

Contents: To require health insurers that provide coverage for cancer chemotherapy treatment to provide coverage for orally administered cancer medications on an equivalent basis and to prohibit insurers from requiring an individual to obtain nonself-injectable medication from a retail pharmacy or mail-order pharmacy

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010	FY 2011	FUTURE YEARS
Counties, School Districts, and Other Local Governments			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase up to \$1 million	Potential increase up to \$1 million

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The requirement under the bill may increase insurance premiums of local governments' health benefit plans. Any increase in insurance premiums would increase costs to local governments to provide health benefits to employees and their dependents.

Detailed Fiscal Analysis

The bill would require "health insurers" that provide coverage for cancer chemotherapy treatment to provide coverage for orally administered cancer chemotherapy treatments on an equivalent basis to coverage for intravenously administered or injected cancer medications. The bill specifies that an insurer is not allowed to impose a coverage limit, copayment, or deductible that is greater, or a prior authorization requirement that is more stringent, than any coverage limit, copayment, deductible, or prior authorization requirement that applies to coverage for intravenously administered or injected cancer medications. The bill also imposes restrictions on those insurers regarding the form of delivery of nonself-injectable medications. Under the bill, an insurer is prohibited from requiring an individual to obtain such medications from a retail pharmacy or mail-order pharmacy. "Health insurers" in this bill include health insuring corporations (HICs), sickness and accident insurance policies for an individual or group, public employee benefit plans, and multiple employer welfare arrangements.

Furthermore, the bill specifies that the Department of Insurance is not required to conduct an analysis of the impact of the bill-mandated coverage for orally administered cancer chemotherapy treatments on an equivalent basis to coverage for intravenously administered or injected cancer medications. Under current law, no mandated health benefits legislation enacted by the General Assembly may be applied to sickness and accident or other health benefits policies, contracts, plans, or other arrangements until the Superintendent of Insurance determines that the provision can be applied fully and equally in all respects to employee benefit plans subject to regulation by the federal Employee Retirement Income Security Act of 1974 (ERISA) and employee benefit plans established or modified by the state or any political subdivision of the state.

Fiscal effect

The bill would have no direct fiscal impact on the state. According to a Department of Administrative Services official, the state's health benefit plans are currently providing coverage for a prescribed and orally administered cancer medication for cancer chemotherapy treatments. However, the bill would have a fiscal impact on local governments that offer coverage for cancer chemotherapy treatment, but have not included coverage for orally administered treatments.

The requirement under the bill may increase insurance premiums for local governments' health benefit plans. Any increase in insurance premiums would increase costs to local governments to provide health benefits to employees and their dependents. If some of the local government plans already included both treatments, those plans would experience no fiscal impact of the requirement. LSC staff is unable to quantify the bill's fiscal impact on local governments due to lack of information on the

specific benefits offered under their employee health benefit plans. Despite the uncertainties caused by data limitations, though, LSC staff consider it unlikely that the costs to local governments would exceed \$1 million per year statewide. That figure is derived from an estimate for the state of California by the California Health Benefits Review Program (CHBRP), and is thereby dependent upon both the accuracy of the CHBRP estimate and on the validity of adjustments made to that estimate to arrive at a figure applicable to Ohio's public employers. Generally, orally administered cancer chemotherapy treatments are included under a prescription plan.

Background information

According to a Department of Health report, Invasive Cancer Data Report, in 2005, 24,281 new cases of cancer were diagnosed and reported among Ohioans who are under 65 years old. Based on data derived from the Annual Social and Economic Supplement of the Current Population Survey (CPS), published by the U.S. Census Bureau, in 2008, approximately 63.9% of Ohioans received their health insurance coverage through their employers. In addition, according to U.S. Bureau of Labor Statistics (BLS) overall employment data for May 2008, 1.4% of the Ohio nonfarm workforce was employed by state government, 4.9% was employed by local government, and 5.6% was employed in local government education. Using the number of cancer cases and the percentage of Ohioans that received their health insurance coverage through their employers as stated above, approximately 15,515 new cancer patients each year may be covered by an employer's health plan. Assuming 4.9% of those individuals were employed by local government, and 5.6% were employed in local government education, the estimated number of new cancer patients that may be covered under a county, municipality, or township health plan is approximately 760, and the number of cancer patients that may be covered by a school district-sponsored health plan is about 869. At a cost between \$10 and hundreds of dollars for a 30-day supply of anticancer pills, the estimated costs to provide coverage for a prescribed oral anticancer medication for all new cancer patients covered by a local government's health benefit plan would likely be over \$196,000 and could be up to tens of millions of dollars in each year statewide, depending on the type of anticancer drugs used and the number of people being treated for cancer. The requirement would shift some of the estimated cost from an insurance beneficiary to an insurer.

California recently enacted a law similar to H.B. 237.¹ According to a study conducted by the CHBRP dated April 17, 2009, the California bill would increase insurance premiums paid by both employers and employees by almost \$19.7 million. The study concluded that the average portion of the premium paid by an employer

¹ S.B. 161 for the 2009-2010 California State Legislature, which would require health insurance policies regulated by the state of California that provide coverage for chemotherapy treatments to provide coverage for a prescribed oral anticancer medication on a basis no less favorable than intravenous or injected anticancer medications.

would increase between \$0.03 and \$0.24 per member per month (PMPM), and the average portion of the premium paid by employees would increase between \$0.01 and \$0.04 PMPM.

Although the study was based on data for California, the estimates could be a good indicator of how much an insurance premium paid by both employers and employees in Ohio may increase if H.B. 237 were enacted. In 2007, approximately 18.5 million Californians under age 65 were covered under an employer's health insurance plan while in Ohio about 6.8 million people under age 65 were covered under an employer plan. Adjusting the \$19.7 million cost estimate for the difference in insured populations, the CHBRP estimate implies that the bill's requirement would raise costs for all Ohio employers by slightly over \$7 million per year. Based on their shares of Ohio employment, local government and school district employers would see cost increases of roughly \$0.75 million of that \$7 million. The accuracy of the \$0.75 million figure depends on the accuracy of the CHBRP estimate and on a number of assumptions about the comparability of Ohio's and California's health care markets. Thus, the most that LSC staff can say about the bill's cost is that it is unlikely to increase costs for local governments by more than \$1 million per year.