

Revised on 4/9/14 based on amendments adopted through 4/9/14.

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2014-15</b>		<b>FY 2015-16</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$622,500		\$1,574,467	
CASH FUNDS	See Below	\$500,000	See Below	\$1,000,000
FEDERAL FUNDS	See Below		See Below	
OTHER FUNDS	See Below		See Below	
<b>TOTAL FUNDS</b>	<b>\$622,500</b>	<b>\$500,000</b>	<b>\$1,574,467</b>	<b>\$1,000,000</b>

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB 254 contains some provisions of LB 505, LB 883 and LB 397 which are amended into LB 254 and become the bill. The provisions deal with insurance coverage for the treatment of autism spectrum disorder (LB 505), elimination of a sunset date for insurance coverage of orally administered anticancer medication (LB 883) and the provision of amino acid-based elemental formulas (LB 397).

**Autism Spectrum Disorder Coverage:** LB 254 requires health insurance plans sold or renewed in the state on or after January 1, 2015 to provide coverage for the screening, diagnosis, and treatment of autism spectrum disorder for persons under age 21. Except as noted below, coverage shall not be subject to any limits on the number of visits and not be subject to dollar limits, deductibles, copayments or coinsurance provisions that are less favorable than equivalent provisions applying to a physical illness.

Coverage for behavioral health treatment, including applied behavior analysis, is subject to a maximum benefit of 25 hours per week until the insured reaches age 21. Insurers may request a review of the treatment of a person with autism spectrum disorder not more than once every six months and shall pay the cost of such review.

These provisions do not apply to non-grandfathered plans in the individual and small group markets that are required to include essential health benefits under the federal Patient Protection and Affordable Care Act (ACA). This clause in the bill means LB 276 will not have a fiscal impact for the state to pay costs for autism services that are in excess of those covered as essential health benefits in policies sold on the insurance exchange.

**State Health Insurance Plan:** The fiscal note submitted by the Department of Administrative Services (DAS) indicates there are currently 21 children under age 21 diagnosed with autism on the state health insurance plan. A recent actuarial study by Oliver Wyman estimates a range of costs for programs for autistic children. The low cost scenario is \$40,000 per year, middle cost scenario is \$50,000 per year and high cost scenario is \$62,800 per year. United Healthcare, the health insurance carrier for the state, estimates the typical annual cost of providing applied behavior analysis for the treatment of autism, spectrum disorder is \$71,120 per outpatient. Generally, higher costs are incurred for younger children because they are in programs for more hours per week.

It is unknown how the cap in the bill of 25 hours per week on services will impact the amount of funding provided by an insurance plan. The benefits which will accrue to the 21 children currently enrolled in the state plan are unknown as are the number of children diagnosed with autism which will be enrolled in the plan in the future. DAS indicates that a recent report from the U. S. Centers for Disease Control states it is likely that autism diagnoses will increase rather than decrease in the coming months and years.

It is assumed the bill will apply to the state employee health insurance plan beginning in FY2015-16. Based upon the current enrollment of 21 children with autism in the state plan and assuming an average cost of providing applied behavior analysis for the treatment of autism spectrum disorder is \$71,120 per outpatient, the increased cost for the health insurance plan may be \$1,493,520. The state health insurance plan is self-insured, with 79% of the premium being paid by the state and 21% paid by the employee. Assuming the increased treatment costs are reflected in plan premiums in FY2015-16, the estimated fiscal impact of the bill will be \$1,179,880 for state agencies. The estimated fiscal impact by fund source for the state health insurance plan is: general funds (\$589,467); cash funds (\$313,631); federal funds \$(232,207); and, revolving funds (\$44,575).

**University of Nebraska Health Insurance Plan:** The University of Nebraska indicates there were 13 children under age 21 diagnosed with autism on the university plan in calendar year 2012. It is unknown what benefits will accrue to the children currently enrolled in the university plan or how many will be covered in the future. The University plan administrator estimates annual increased costs general fund expenditures of \$725,000 for the health care plan.

The University health insurance plan is offered on a calendar year basis, so the fiscal impact of the bill will occur beginning in FY2014-15. The University indicates that 82% of the premium for the health care plan is paid by the University. Assuming the increased treatment costs are reflected in plan premiums, the estimated general fund fiscal impact of the bill for the University insurance plan is \$362,500 in FY15 and \$725,000 in FY16. The bill appropriates \$362,500 General Funds in FY2014-15 and \$725,000 General Funds in FY2015-16 to the University of Nebraska to pay for projected increased costs for the University health care plan.

**University of Nebraska Medical Center:** UNMC anticipates an increase in services provided to children with autism pursuant to the bill. The reason for the projected increase in services is because individuals will have insurance coverage for the disorder and there currently is a limited supply of service providers. UNMC projects the addition of 13.0 FTE to provide services and support at an annual cost of \$887,840 in FY2015-16. Estimated expenditures in FY2014-15 will be \$443,920 due to the effective date of the required insurance coverage. It is estimated annual cash fund revenue of approximately \$1 million will be sufficient to fund the 13 additional staff.

**Long-term Savings:** The actuarial study previously cited indicates the provision of intensive behavioral health services for children may translate into long-term cost savings to state government in terms of reduced expenditures in the future for special education services and medical services provided to children and adults through Medicaid programs. The fiscal impact of savings for these programs is unknown.

**Orally Administered Anticancer Medication:** The bill repeals the termination date related to the requirement to provide coverage in health insurance plans for a prescribed orally administered anticancer medication used to kill or slow the growth of cancerous cells on a basis no less favorable than intravenously administered or injected cancer medications that are covered by the insurance plans. Current law requires the coverage date to terminate on December 31, 2015.

DAS and the University indicate that health insurance plans offered to state employees currently cover both orally administered anticancer medications and intravenously administered or injected cancer medications, so no additional cost is projected if the termination date for the bill is repealed.

**Amino acid-based Elemental Formulas:** The bill establishes an aid program in the Department of Health and Human Services (HHS) to pay for amino acid-based elemental formulas to treat a disease or disorder. The program will pay up to 50% of the out-of-pocket costs not to exceed \$12,000 per year per individual. The bill appropriates \$250,000 General Funds in FY2014-15 and FY2015-16 to HHS for state aid for the formulas and \$10,000 General Funds each fiscal year for administration.

**Summary:** The following table shows the projected general fund fiscal impact of the bill. Increased costs to the state employee and University of Nebraska employee health insurance plans will also be covered by employee contributions, and other fund sources available to state agencies and the University, which are not shown below. UNMC may also have increased cash fund expenditures and revenue to provide services to children with autism.

	General Funds FY 2014-15	General Funds FY 2015-16	General Funds FY 2016-17
<b>Autism Spectrum Disorder Coverage:</b>			
State Employee Health Plan		589,467	589,467
University of Nebraska Health Plan	362,500	725,000	725,000
<b>Amino-Acid Based Formulas:</b>			
Aid to Individuals	250,000	250,000	250,000
Administration for HHS	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
<b>Total General Fund Fiscal Impact</b>	<b>\$622,500</b>	<b>\$1,574,467</b>	<b>\$1,574,467</b>

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2014

LB<sup>(1)</sup> LB254 AM2901

FISCAL  
NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> Administrative Services - Wellness & Benefits

Prepared by: <sup>(3)</sup> Josh Stafursky Date Prepared: <sup>(4)</sup> 4-9-14 Phone: <sup>(5)</sup> (402) 471-2832

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	<u>See below</u>	=====

**Explanation of Estimate:** LB254 AM2901 would require individual and group sickness and accident insurance policies (including self-funded employee benefit plans) in the State of Nebraska to provide coverage for the screening, diagnosis, and treatment of an autism spectrum disorder (ASD) for individuals up to 21 years of age. The amendment would require as of January 1, 2015, coverage for behavior health treatment would be limited to a maximum benefit of 25 hours per week, until the insured reaches 21 years of age. The amendment further provides that the insurer shall have the right to request a review of an individual's treatment plan every six months.

LB254 AM2901 would impact the cost of providing health insurance benefits to employees covered under the State's self-insured employee health benefit plan. As of April 2, 2014, there are 21 participants in the State's health plans under 21 years of age with an autism diagnosis, the oldest being 18 years of age. Based on a recent report from the U.S. Centers for Disease Control (CDC), it is likely that autism diagnoses will increase rather than decrease in the coming months and years. In March 2014, the CDC released new data (<http://www.cdc.gov/ncbddd/autism/data.html>) on the prevalence of autism in the United States, which showed 1 in 68 having an Autism Spectrum Disorder in 2010, up dramatically from the year 2000, when the CDC identified 1 in 150 as having an Autism Spectrum Disorder.

United Healthcare, the State's health care claims administrator, estimates the typical annual cost of providing Applied Behavior Analysis for the treatment of an Autism Spectrum Disorder is \$71,120 per outpatient participant.

Because coverage changes are not permitted mid-year and the State's plan operates on a July 1 to June 30 plan year, it is expected that LB254 AM2901 would change requirements of the State's health insurance program beginning July 1, 2015. Based on today's enrollment of 21 participants (which we could reasonably expect to grow based on the CDC report) and the projected annual cost of \$71,120 (which also could be reasonably expected to grow based on medical inflation), the total increased cost to the plan would be approximately \$1,493,520 which will require factoring this coverage in premium setting for the next plan year. The CDC report indicates a growth of more than double the number of autism cases over a 10-year period. The projected costs indicated here are based on today's numbers of autism cases but do anticipate this to grow. The State anticipates no additional pharmacy costs due to the requirements of AM2901, as medications used in the treatment of Autism Spectrum Disorders generally are covered under the State's plan.

Because the State pays 79% of the cost of employee health insurance and the employee pays 21%, the projected State fiscal impact in the first year would be approximately \$1,179,880.

The table below summarizes the impact by fund type of the estimated additional health premium contributions. The allocation by fund type is based on health insurance fund split for budgeted fund types that came out of agency budgets (without SLEBC) for FY12/13.

Funds	FY14/15 Expenditures	FY15/16 Expenditures
General Funds		\$589,467
Cash Funds		\$313,631
Federal Funds		\$232,207
Revolving Funds		\$44,575
Total Funds	\$0	\$1,179,880

LB254 AM2901 would also eliminate the December 31, 2015 termination date contained in Neb. Rev. Stat. §44-7,104 relating to requirements that prescribed orally-administered anticancer medications be covered by health plans no less favorably than intravenously administered or injected anticancer medications. Neb. Rev. Stat. §44-7,104 currently mandates this coverage. The State's current plan includes this coverage. The State did not intend to eliminate this coverage; therefore there would be no additional cost to the State's health insurance plans.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

POSITION TITLE	NUMBER OF POSITIONS		2014-15 EXPENDITURES	2015-16 EXPENDITURES
	14-15	15-16		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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**2014**

**LB<sup>(1)</sup> 254 AM 2901**

**FISCAL  
NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> University of Nebraska

Prepared by: <sup>(3)</sup> Michael Justus Date Prepared: <sup>(4)</sup> April 9, 2014 Phone: <sup>(5)</sup> 402-472-2191

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>362,500</u>	<u></u>	<u>725,000</u>	<u></u>
CASH FUNDS	<u>443,920</u>	<u>500,000</u>	<u>887,840</u>	<u>1,000,000</u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
<b>TOTAL FUNDS</b>	<u><b>806,420</b></u>	<u><b>500,000</b></u>	<u><b>1,612,840</b></u>	<u><b>1,000,000</b></u>

**Explanation of Estimate**

The Amendment amends LB 505 in LB 254. The general fund impact relates to the University Health Plan for the increased costs. The Cash funds represent additional services provided and billed by UNMC.

It also amends the Cancer Drug LB 883 into LB 254. There is a fiscal impact from removing an end date (to make it permanent) for the effect of new drugs implemented after that date, but we believe it would be less than .1% of Plan costs and no impact is included.

The amino acid portion appears to only impact HHS as revised.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Senior Faculty	<u>0.5</u>	<u>1.0</u>	<u>46,125</u>	<u>92,250</u>
Junior Faculty	<u>0.5</u>	<u>1.0</u>	<u>33,312</u>	<u>66,625</u>
Techs	<u>5.0</u>	<u>10.0</u>	<u>194,750</u>	<u>389,500</u>
Billing/Support	<u>0.5</u>	<u>1.0</u>	<u>17,938</u>	<u>35,875</u>
	<u></u>	<u></u>	<u></u>	<u></u>
	<u></u>	<u></u>	<u></u>	<u></u>
	<u></u>	<u></u>	<u></u>	<u></u>
	<u></u>	<u></u>	<u></u>	<u></u>
<b>Benefits</b> .....			<u>81,795</u>	<u>163,590</u>
<b>Operating</b> .....			<u>65,000</u>	<u>130,000</u>
<b>Travel</b> .....			<u>5,000</u>	<u>10,000</u>
<b>Capital outlay</b> .....			<u></u>	<u></u>
<b>Aid</b> .....			<u></u>	<u></u>
<b>Benefits (University Health Plan)</b> .....			<u>362,500</u>	<u>725,000</u>
<b>TOTAL</b> .....			<u>806,420</u>	<u>1,612,840</u>