



DEPARTMENT OF AUDITS AND ACCOUNTS

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January 14, 2021

Honorable Shelly Hutchinson
State Representative
607-G Coverdell Legislative Office Bldg.
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 46 0347)

Dear Representative Hutchinson,

The bill would require that insurers treat claims concerning mental and substance use disorders in parity with other health insurance and Medicaid claims. Under the bill, plans that provide both medical/surgical prescription drug benefits and mental disorder and substance use disorder benefits, must meet the requirements of the federal Mental Health Parity and Addiction Equity Act of 2008. The bill specifically states that plans may not exclude FDA-approved medications for the treatment of mental or substance use disorders, must place these medications at the lowest cost tier, and may not impose step therapy, non-quantitative treatment limitations, or prior authorization due to safety risk.

The bill would also create additional requirements for the Office of Insurance and Safety Fire Commissioner (OCI) and the Department of Community Health (DCH). OCI would be responsible for ensuring insurance plans comply with the law and would be required to deliver an annual report regarding compliance to legislative committees. Additionally, DCH would be required to provide an annual report to OCI as well as legislative committees.

This bill is estimated to cost the state between \$201 million and \$415 million across three agencies. DCH would incur total costs between \$616 million and \$1.3 billion for its health plans and the need for additional staff, with \$200 million to \$415 million being state funds. Costs to DCH's State Health Benefit Plan (SHBP) and The University System of Georgia (USG) health plan would also increase, although these costs are not necessarily covered by state funds. Finally, OCI would incur an estimated cost of \$728 thousand.

Department of Community Health

Adoption of the bill would create additional costs for both the Medicaid and State Health Benefit Plans due to elimination of step therapy, changes in drug tier formulary, and the expansion of covered medication. State costs are estimated at between \$199.9 million and \$414.6 million for Medicaid (Table 1). SHBP claim costs are expected to increase approximately \$9.9 million¹ (Table 2). Depending on the plan and Care Management Organization (CMO), the estimates are based a review of claims denied under current practices, a repricing of current services at higher costs, and/or experience in other states with similar legislation.

Table 1: Range of Medicaid Cost Increases

<i>(in millions)</i>	State	Federal	Total
Medicaid (Low Cost Estimate)			
Care Management Organizations	\$160.5	\$326.4	\$486.9
Fee-For-Service	\$39.4	\$80.1	\$119.5
Total	\$199.9	\$406.5	\$606.4
Medicaid (High Cost Estimate)			
Care Management Organizations	\$332.9	\$676.8	\$1,009.7
Fee-For-Service	\$81.7	\$166.2	\$247.9
Total	\$414.6	\$843.0	\$1,257.6

Table 2: State Health Benefit Plan Cost Increase

	Other Funds
Expansion of Covered Medication	\$1,100,000
Drug Tier Formulary	\$6,500,000
Removal of Prior Authorizations/ Step Therapy	\$2,300,000
Total	\$9,900,000

DCH would require two compliance specialist positions to comply with the reporting requirements of the bill, resulting in an annual cost to the state of \$125,811 (Table 3). Under the legislation, CMOs will be required to provide DCH with an annual report regarding compliance and DCH will provide an annual report to the House Insurance and Senate Insurance and Labor Committee on the Medicaid plan's compliance with federal and state requirements. DCH will also be required to report SHBP compliance with the requirements.

Table 3. DCH Annual Reporting Costs

	State	Federal	Estimated Annual Cost
Compliance Specialist (SHBP)	\$83,874		\$83,874
Compliance Specialist (Medicaid)	\$41,937	\$41,937	\$83,874
Total	\$125,811	\$41,937	\$167,748

¹ SHBP benefits are paid for by a combination of employee and employer premiums. Employer premiums are paid by a combination of funds, including state, federal, and other funds.

University System of Georgia

The Regents Health Plan, which provides University System of Georgia (USG) employees with healthcare, would have additional benefits costs as a result of the bill. As shown in Table 4, benefit costs would increase by at least \$2.1 million,² with most of the cost related to changes to the drug tiers. It should be noted that the estimated includes only one of two plan providers: Anthem/CVS. Kaiser, which was unable to provide a cost estimate, serves approximately 9,000 of the Regents Health Plan’s 87,000 members.

Table 4. USG Health Plan Cost Increase

	Estimated Annual Cost
Pharmacy Costs	
Expansion of Covered Medication	\$235,000
Drug Tier Formulary	\$1,800,000
Removal of Prior Authorizations/ Step Therapy	\$110,000
Medical Costs	
Mental Health Specialty Prescription Medication	\$43,000
Total	\$2,143,000

Office of Insurance and Safety Fire Commissioner

Under the bill, OCI would enforce the federal and state laws regarding mental health parity. Insurers would be required to submit an annual report to OCI regarding compliance with mental health and substance use disorder treatment and medication accessibility and to report various plan details required by the bill. OCI must provide a yearly report to the House Insurance Committee and the Senate Insurance and Labor Committee regarding how OCI is ensuring insurers are complying with relevant state and federal law.

OCI would require additional staff to enforce the bill’s requirements at an annual cost of approximately \$728,000. Each position includes a salary of \$45,000 in salary plus benefits (Table 5.). OCI also noted that it is possible the bill will result in the need for a new attorney, which would add \$99,000 to the estimated annual cost.

Table 5. OCI Cost Increase

	Salary and Fringe	FTE	Annual Cost
Insurance Product Review Staff	\$72,794	4	\$291,175
Insurance Financial Oversight Staff	\$72,794	4	\$291,175
Consumer Services Staff	\$72,794	2	\$145,588
Total	\$218,381	10	\$727,938

² Regents Health Plan benefits are paid for by a combination of employee and employer premiums. Employer premiums are paid by a combination of funds, including state, federal, and other funds.

Sincerely,

A handwritten signature in blue ink that reads "Greg S. Griffin".

Greg S. Griffin
State Auditor

A handwritten signature in black ink that reads "Kelly Farr".

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/lr