

OFFICE OF FISCAL ANALYSIS

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sHB-7125

AN ACT CONCERNING MENTAL HEALTH AND SUBSTANCE USE
DISORDER BENEFITS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
State Comptroller - Fringe Benefits (State Employee and Retiree Health plan)	GF, TF - Cost	At least \$1 million	At least \$2 million

Municipal Impact:

Municipalities	Effect	FY 20 \$	FY 21 \$
Various Municipalities	STATE MANDATE ¹ - Cost	See Below	See Below

Explanation

The bill will result in a cost to the state employee and retiree health plan and fully insured municipal plans resulting from changes to health coverage requirements for mental health and substance use disorders, as described below.

There is a cost of the state plan of approximately \$1 million in FY 20 and \$2 million in FY 21 from eliminating medical necessity and prior authorization for certain services which is anticipated to change the utilization of services. In accordance with current law, the state

¹ State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

employee and retiree health plan currently provides coverage for inpatient and outpatient mental health and substance use disorder services, using the American Society of Addiction Medicine (ASAM) guidelines to determine the appropriate service intensity and level of care.

In addition, there will be a cost to the state and municipal health plans to the extent services are required to be covered for court ordered services that otherwise would have been excluded. The cost will depend on the mix of services and utilization. Under the state plan, court ordered services that have been ordered as a condition of probation or parole are generally not covered by the plan.

There is an annual cost to the state of approximately \$12,000 from requiring all currently covered prescriptions for the treatment of a substance use disorder to be placed in the lowest cost tier. The cost will be greater to the extent the bill is interpreted to require the state to cover all FDA approved prescriptions for substance use disorders. Pursuant to the SEBAC 2017 Agreement the state employee plan has a four tiered structure, with the lowest cost tier requiring a \$5 co-pay and the highest cost tier requiring a \$40 or 20% coinsurance for nonparticipating retail pharmacies.² The state plan does not require step therapy or require prior authorization for prescriptions to treat substance abuse.

The cost to fully insured municipal plans to comply with the provisions of the bill will be reflected in premiums for policy years beginning on and after January 1, 2020. Pursuant to federal law, self-insured plans are exempt from state health insurance mandates.³

In addition, many municipal health plans are recognized as “grandfathered” health plans under the Affordable Care Act (ACA).⁴ It

² Source: State of Connecticut Prescription Benefit Plan Document (January 1, 2018).

³ The state employee and retiree health plan is self-insured; however, the plan has historically adopted all health insurance mandates.

⁴ Grandfathered plans include most group insurance plans and some individual health plans created or purchased on or before March 23, 2010.

is unclear what effect the adoption of certain health mandates will have on the grandfathered status of certain municipal plans under ACA.

The bill is not anticipated to result in a cost to the Insurance Department to comply with the requirements of the bill as the agency has the expertise to do so.

The Out Years

The annualized ongoing fiscal impact identified above will continue into the future based on the: (1) utilization of services, (2) scope of services and prescription drugs required to be covered, and (3) for fully-insured municipalities, will be reflected in future premiums.