

# OFFICE OF FISCAL ANALYSIS

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sHB-6771

## AN ACT REQUIRING HEALTH INSURANCE COVERAGE FOR BIOMARKER TESTING.

### ***OFA Fiscal Note***

#### ***State Impact:***

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Insurance Dept.	IF - Cost	None	65,000 - 80,000
State Comptroller - Fringe Benefits	GF - Potential Cost	Less than 100,000	Less than 200,000
Resources of the General Fund	GF - Potential Cost	Up to 92,000	Up to 184,000
Social Services, Dept.	GF - Potential Cost	See Below	See Below

Note: GF=General Fund; IF=Insurance Fund

#### ***Municipal Impact:***

Municipalities	Effect	FY 26 \$	FY 27 \$
Various Municipalities	STATE MANDATE <sup>1</sup> - Potential Cost	See Below	See Below

### ***Explanation***

The bill mandates biomarker coverage, which results in potential costs described below. The bill also requires the Insurance Department to conduct a study on the effects of the coverage mandate, which results

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<sup>1</sup> 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.

in an annual cost of \$65,000 to \$80,000 in FY 27 through FY 31.

**State Employee Health Plan.** Sections 1 and 2 of the bill result in a potential cost less than \$100,000 for the partial year coverage in FY 26 and less than \$200,000 annually thereafter to the State Comptroller – Fringe Benefits for the anticipated per member per month increase to the state employee health plan (SEHP) associated with the mandated coverage of biomarker testing. The SEHP currently covers biomarker testing. Premiums for the SEHP are anticipated to increase by \$0.10 per member per month, assuming a 5% utilization rate increase.

**Municipalities.** Costs related to the mandated coverage may also be incurred by fully insured municipalities and those participating in the State Partnership Plan (SPP). The mandated coverage of biomarker testing results in a potential cost less than \$34,000 for the partial year coverage in FY 26 and less than \$69,000 annually thereafter shared proportionately amongst municipalities in the SPP based on enrollment. The SPP currently covers biomarker testing. The potential cost accounts for an increase in utilization, and broader coverage for biomarker tests, which may impact plan premiums.

These estimates neglect any future cost saving offsets, and actual fiscal impacts will be realized in future premiums. Actual costs are dependent on the level of coverage, utilization, and number of those enrolled in each plan. Due to federal law, the coverage requirements will not apply to self-insured municipalities, as they are exempt under Employee Retirement Income Security Act (ERISA).

**Exchange and Covered Connecticut.** Sections 1 and 2 also result in a potential cost to the state of up to \$92,000 for the partial year coverage in FY 26 and up to \$184,000 annually thereafter to defray additional premium costs for enrollees purchasing health insurance on the state's exchange. This cost is potential as it is incurred to the extent the new coverage requirements for biomarker testing are determined to increase premiums and constitute new state benefit mandates under the federal Affordable Care Act (ACA). Currently, the different plans in the exchange cover biomarker testing. The potential cost accounts for an

increase in utilization, and broader coverage for biomarker tests, which may impact plan premiums.

Under the ACA, states are allowed to mandate benefits beyond the federally-defined Essential Health Benefits (EHB) but must pay for that excess coverage. Federal regulations require the state to defray the cost of additional benefits related specific care, treatment or services mandated by state action after December 31, 2011 (except to comply with federal requirements) for all plans sold on the exchange.<sup>2</sup> There are currently 152,042 enrollees in qualified health plans on the exchange, including approximately 42,000 in Covered Connecticut.

To the extent the bill is determined to include a new state benefit mandate that requires defrayal, there would be a cost to the state beginning January 1, 2026.<sup>3</sup> Full year costs would begin in FY 27 and continue annually.

Defrayal costs for Covered Connecticut enrollees would be incurred by the Department of Social Services (DSS), to the extent the bill raises premiums for those enrollees.

Federal regulations allow states to update their EHB benchmark plans, potentially incorporating new benefit mandates without the need for defrayal for plan years beginning on January 1, 2020.<sup>4</sup> If the state integrates biomarker testing into its EHB benchmark and obtains federal approval, these benefits become part of the EHB. As a result, the state would not be required to defray the costs of biomarker testing.

**Study.** Section 3 of the bill requires the Insurance Department to conduct a study regarding the effects of sections 1 and 2 on the insurance industry and the state, beginning in FY 27 and continuing annually for five years. This results in an annual cost of \$65,000 to \$80,000 associated

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<sup>2</sup> 45 CFR 155.170

<sup>3</sup> After determining if the mandate is subject to defrayal, states must reimburse the carriers or the insureds for the excess coverage. The premium costs are to be quantified by each insurer on the exchange and reported to the state.

<sup>4</sup> 45 CFR 156.111

with hiring a contractor to complete the annual study beginning in FY 27 and ending in FY 31.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, cost of biomarker tests, utilization of biomarker testing, and federal regulations regarding defrayal requirements.