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sSB-10
AN ACT CONCERNING HEALTH INSURANCE AND PATIENT PROTECTION.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 $	FY 27 $
State Comptroller - Fringe Benefits, and Various State Agencies	App Fund - Cost	See Below	See Below
State Comptroller - Fringe Benefits, and Various State Agencies	App Fund - Indeterminate	See Below	See Below
UConn Health Ctr.	OF - Revenue Gain/Loss	See Below	See Below
Insurance Dept.	IF - Cost	1.1 million	1.2 million
Insurance Dept.	GF - Potential Revenue Gain	See Below	See Below
Insurance Dept.	GF - Potential Cost	None	218,101

Note: App Fund=All Appropriated Funds; IF=Insurance Fund; GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 26 $	FY 27 $
Various Municipalities	Cost	See Below	See Below

Explanation

The bill makes various changes regarding health insurance and patient protection, including establishing a rebuttable presumption for utilization review, which would likely result in a significant cost of approximately $67.8 million annually to the State Comptroller - Fringe Benefits account. The bill makes various other changes anticipated to result in the fiscal impacts described below.

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Sections 1 and **2** require insurers to file an annual certification of compliance with mental health and substance user disorder benefit reporting requirements to the Insurance Commissioner, who must make these reports, including the names of health carriers, public. This procedural change results in no fiscal impact.

Sections 3 and **4** create a separate, nonlapsing Parity Advancement Account within the General Fund and require the Insurance Department to enforce mental health parity and conduct education, resulting in an annual cost of $218,101 to the new account, beginning in FY 27. This cost is associated with hiring one Consumer Affairs Associate Insurance Examiner, with an annual salary of $80,000 and fringe benefits costs of $32,568, and one Business Office Support Staff, with an annual salary of $75,000 and fringe benefits costs of $30,533, to perform the additional responsibilities.

The account will be funded by donations and fines the department may impose on health carriers for failing to comply with reporting. Health carriers can be fined $100 per participant, up to $1 million annually, resulting in a revenue gain to the General Fund beginning in FY 26 and annually thereafter. Health carriers may also be fined for late filings. The revenue gain to the account will depend on the number of violations and will be used to enforce mental health parity and education.

Sections 5 and **6** establish a rebuttable presumption that a health care service undergoing utilization review is medically necessary if ordered by a health care professional acting within his or her scope of practice. This would likely result in a significant cost, approximately $121 million annually across various funds beginning in FY 27 (with half-year costs in FY 26). The General Fund share of these costs within the State Comptroller – Fringe Benefits is approximately $67.8 million annually.

The cost to the state is associated with increased pharmacy and medical utilization for the state employee health plan (SEHP). Medical claims costs are expected to increase by approximately 20% as more services are deemed "medically necessary" resulting from the change in utilization review methodology. This impact is estimated to be $92 million annually. The impact of the change in utilization review on pharmacy benefits is estimated to be $29 million annually, largely driven by costs related to specialty drugs.

Fully insured municipalities and those participating in the state partnership plan (SPP) are likely to see an increase in premiums to the extent carriers expect to see higher utilization of services. Municipalities enrolled in SPP will likely see costs commensurate with the increase to the SEHP based on their enrollment.

These sections also result in a potential revenue gain annually beginning in FY 26 to UConn Health. The revenue gain would vary based on the procedures and the rates paid by insurers.

Sections 7 and **8** place certain restrictions on the use of step therapy: (1) reduce the duration from 30 days to 20, (2) prohibit the use for prescription drugs used to treat chronic, disabling, or life-threatening diseases or conditions, and (3) prohibit its use for prescription drugs used to treat mental or behavioral health conditions.

There is a potential cost of $9 million annually across various funds for restrictions (1) and (2) dependent on the impact to premiums for the state employee health plan related to increased prescription drug costs. Restriction (3) does not result in a fiscal impact as the state employee health plan does not require step therapy for mental health conditions. The General Fund share of these costs within the State Comptroller – Fringe Benefits is approximately $5 million annually.

Step therapy is used as a cost management tool, and its prohibition for prescription drugs to treat a chronic, disabling, or life-threatening condition or disease, as well as reduction for all other prescriptions is likely to be reflected in higher premiums through an increased per member per month cost. These restrictions are estimated to increase costs related to the differential between the lower cost alternative and the drug available after step therapy, as well as overall higher prescription drug spend.

These sections also result in potential costs to various municipalities that either have fully insured health plans or participate in the partnership plan to the extent higher utilization and prescription drug costs increase plan premiums. The partnership plan would face costs commensurate with the increase to the state employee health plan based on their enrollment.

Section 9 requires health carriers and preferred provider networks that contract with heath care providers to pay equal reimbursement rates for certain outpatient services to all providers in a geographic area and regardless of the facility where the services are provided. The section also requires the Department of Insurance to establish said geographic regions and adopt site-neutral regulations. This results in a one-time cost to the Insurance Fund of $75,000 in FY 26 for costs associated with hiring a consultant.

Additionally, this section results in: (1) an indeterminate cost to the state employee health plan and municipalities on the partnership plan as the bill does not specify the rates; and (2) a revenue loss annually beginning in FY 27 to the UConn Health Center. To the extent this section results in reimbursement rates lower than what UConn Health currently receives in certain settings, there is a revenue loss. Such revenue loss would vary based on: (1) the difference between UConn Health's current reimbursement rates in hospital-based settings and those set pursuant to the bill; and (2) the number of procedures performed.

Section 15 makes numerous changes that result in an Insurance Fund cost of approximately $1 million in FY 26 and $1.2 million in FY 27 to the Insurance Department. The section modifies the department's existing rate review process by making a series of changes regarding filing requirements, public transparency, and approval criteria, including adding a fourth criterion prohibiting rate approval if the rate is found to be "unaffordable." The department anticipates 45 additional public hearings each year.

New staffing required by the department for the new transparency and approval criteria requirements includes the addition of six new positions, at a cost to the Insurance Fund of approximately $600,000 in FY 26, increasing to an annual cost of $1.2 million in FY 27. (The lower FY 26 impact reflects the bill's January 1 effective date). The new positions are: one Rate Hearing Division Manager, with an annual salary of $135,000 and fringe benefits of $112,401; two Insurance Actuaries and two Insurance Attorneys, with an annual salary of $110,000 and fringe benefits of $91,586 each; and one Insurance Paralegal, with an annual salary of $75,000 and fringe benefits of $62,445. The total annual salary cost for these six positions is $650,000 and fringe benefit cost of $541,190 annually.

In addition, to complete the requirements the department anticipates engaging the services of consulting actuaries and outside counsel at a cost of $300,000 in FY 26. Further, the cost of including a fourth criterion to the rate review process results in a one-time cost to the Insurance Fund of at least $100,000 to engage the services of consulting actuaries in FY 26. **Sections 10 - 14** modify various statutes with conforming language.

Sections 17 and **18** prohibit health insurance policies from placing time limits on general anesthesia coverage which does not result in a fiscal impact to the state or municipalities because carriers do not currently impose these restrictions.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.