

**Kentucky Department of Insurance  
Financial Impact Statement**

- I. Mandating health insurance coverage of HB 12, is not expected to materially increase administrative expenses of insurers, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. The mandate requires insurers to cap cost sharing at \$100 per 30-day supply of insulin, regardless of the amount or type of insulin needed to fill the covered person's prescription. The proposed legislation for all insured health benefit plan coverages, excluding Medicaid and state employees, is not expected to materially increase administrative expenses of Insurers.

The proposed HB 12, as described above, will increase premiums, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Our estimated increase in premiums for health benefit plans, excluding Medicaid and the state employee plans, is approximately \$0.07 to \$0.24 per member per month (PMPM). This represents an increase of approximately 0.01% to 0.05% or approximately \$0.35 million to \$1.1 million for all fully insured policies in Kentucky, excluding Medicaid and state employees, due to the increased costs for health plans.

The proposed HB 12, as described above, will increase the total cost of health care in the Commonwealth, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Our estimated increase in the total cost of health care in the Commonwealth for health benefit plans, excluding Medicaid state employee plans, is approximately \$0.07 to \$0.24 per member per month (PMPM). This represents an increase of approximately 0.01% to 0.05% or approximately \$0.35 million to \$1.1 million for all fully insured policies in Kentucky, excluding Medicaid and state employees, due to the increased costs for health plans.

Our analysis included use of data and statistics from American Diabetes Association reports titled "The Burden of Diabetes in Kentucky", "Insulin Affordability Survey, 2018" and "Statistics about Diabetes", Insulin cost estimates were blended based on a variety of different sources, a CDC report on "Age-Adjusted Percentage of Adults with Diabetes Using Diabetes Medication", a report by the Henry J Kaiser Family Foundation on Kentucky Health Insurance Coverage of Population, and a 2018 Insurer annual data report provided to us by the Kentucky Department of Insurance (KY DOI). Our analysis assumes that the restriction on cost sharing will only affect the percentage of insured diabetics currently spending over \$100 on insulin medication per month.

Note, our analysis assumed the cost sharing cap of \$100 was for a 30-day supply of insulin. In other words, we assumed a member would receive 30 days of insulin every month and thus the maximum amount they would pay per year would be \$1,200.

Disclosure: Due to the material disclosure requirements required therein, we must acknowledge that the content of this report may not comply with Actuarial Standard of Practice No. 41 Actuarial Communications.



Brian Stentz, A.S.A. M.A.A.A.

LEWIS & ELLIS, INC.

January 17, 2020



(Signature of Commissioner/Date)