# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

## FISCAL IMPACT STATEMENT

**LS 7348** | **DATE PREPARED:** Jan 10, 1999
**BILL NUMBER:** HB 1443 | **BILL AMENDED:**

**SUBJECT:** Insurance Coverage for Contraceptives.

**FISCAL ANALYST:** Alan Gossard
**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:** X **GENERAL**
X **DEDICATED**
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires insurers, health maintenance organizations (HMOs), limited service HMOs, preferred provider plans, and comprehensive health insurance policies that: (1) provide coverage for basic health care services; and (2) provide coverage for outpatient prescription drugs and outpatient services provided by health care providers, to provide equal coverage for contraceptive drugs, devices, and services.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** This bill mandates insurance coverage for contraceptive drugs, devices, and services. The mandated benefits could affect costs to the health care plans providing health benefits to state employees and to the Indiana Comprehensive Health Insurance Association (ICHIA). Costs to the state employee health plans are estimated to range from $85,000 to $225,000 annually. The increased costs may be reflected in increased premiums and enrollment fees charged by the plans. Increased premiums and fees, however, may or may not result in additional costs to the state, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits. (Note: The estimated costs, described above, associated with mandated contraceptive coverage do not factor in unknown, but potential, savings attributable to reduced pregnancy-related expenditures.)

The cost estimates for mandated contraceptive coverage are based on the results of two studies: Darroch (1998) and Maryland Health Care Access and Cost Commission (HCACC) (1998). The Maryland HCACC was established by the Maryland legislature to analyze and report on the cost of mandated insurance benefits in the state of Maryland. They estimated the annual cost of mandated contraceptive benefits per group policy to be about $8 per year (or about .2% of the average cost per group policy in Maryland) for those policies not currently covering these benefits. The higher cost estimate is based on Darroch (1998) where the annual cost of adding coverage for the full range of reversible medical contraceptives to health plans that do not currently cover them was estimated to be $21.40 per employee per year. Neither of these estimates factor in

unknown, but potential, savings attributable to reduced pregnancy-related expenditures.

The eight health plans providing health benefits to state employees have been surveyed for their estimates of the impact on their particular plans, however, no response has been received at this time. However, from the plans' benefit descriptions, it appears that the two traditional insurance plans and one HMO do not provide these benefits at this time. The other five health plans do appear to provide coverage for contraceptives and contraceptive devices, in some form. Applying the cost estimates of $8.00 to $21.40 per employee per year to the insureds in the health plans that currently do not provide coverage results in estimated costs to the plans of $85,000 to $225,000 annually. Ultimately, however, the additional costs to the state depend upon administrative action as to the determination of the employer/employee cost share for health plan benefits. The state currently pays about 95% of aggregate employee health plan costs. Potential costs to the ICHIA program are not known at this time.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Similar to the state, increased premiums and enrollment fees arising from mandated contraceptive coverage, may or may not result in additional costs to local governments and school corporations, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits offered to employees. The impact on local units of government and school corporations would differ by local unit and the particular benefit plan currently provided to employees.

To provide some idea of the extent of coverage currently being provided by insurance and managed care plans, Gold (1998) reports that about half of traditional indemnity insurance plans typically cover none of the five leading reversible prescription contraceptive methods (IUD, diaphragm, hormonal implant, contraceptive injectable, and oral contraceptives), and only 15% cover all five methods. About 33% cover the costs of oral contraceptives. About 39% of HMOs, on the other hand, cover all five leading methods and only 7% cover no contraception at all. Preferred provider organizations (PPOs) are closer to the traditional insurance plans in their coverage of these services.

The estimated cost for contraceptive coverage is $8.00 to $21.40 per employee per year in health plans that currently do not provide coverage. The Maryland HCACC study estimated that, while $8.00 per employee per year is estimated for plans not currently providing coverage, taking into account the plans in Maryland that already provide this coverage, the marginal cost of the mandate in the aggregate is closer to $4.00 per employee per year. The impact on local units of government and school corporations would, of course, differ by local unit and the particular benefits currently being provided to employees.

**Explanation of Local Revenues:**

**State Agencies Affected:** All

**Local Agencies Affected:** Local Governments and School Corporations

**Information Sources:** Keith Beesley, Department of Personnel, 232-3062.

Darroch, Jacqueline E., Cost to Employer Health Plans of Covering Contraceptives, Alan Guttmacher Institute, June 1998.

Gold, Rachel Benson, "The Need For and Cost of Mandating Private Insurance Coverage of Contraception",

The Guttmacher Report on Public Policy, Volume 1, Number 4, August 1998.

Maryland Health Care Access and Cost Commission (HCACC), Mandated Health Insurance Services Evaluation, by William M. Mercer, Inc., December 15, 1998.