

Fiscal Note

BILL # SB 1680

TITLE: newborn screening program; testing

SPONSOR: Pace

STATUS: Senate Engrossed

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REVISED

Explanation of Revision

This revised note reflects information from the Department of Health Services (DHS) received after publication of the original note. DHS provided estimates of both its ongoing and one-time costs and anticipated increased fee levels, which reduced and delayed the overall estimated impact compared to the original Fiscal Note.

Description

The bill would require DHS to screen newborns for all congenital disorders that are included on the U.S. Department of Health and Human Services (HHS) Recommended Uniform Screening Panel (RUSP).

Estimated Impact

The bill would increase ongoing annual costs to DHS for processing tests for RUSP disorders not currently included on the state's newborn screening panel. DHS estimates total ongoing costs of approximately \$4.9 million, which would be paid by increased newborn screening fee revenue. Of this amount, \$1.1 million would begin in FY 2022 and an additional \$3.8 million would begin in FY 2024.

The bill would also generate one-time costs for completing verifications studies and purchasing new lab equipment, which would also be paid by newborn screening fee revenue. DHS estimates total one-time costs of \$942,600. Of this amount, \$553,500 would be incurred in FY 2022 and the remaining \$389,100 would occur in FY 2024.

We believe DHS' estimates are reasonable.

To the extent that DHS raises screening fees to cover the expenses for processing additional tests, costs to the state would increase to pay claims for newborns of benefited state employees and newborns covered by state Medicaid plans. Based on the number of newborns added to state health insurance plans and state Medicaid plans each year and DHS' proposed fee increases, we estimate ongoing state costs would increase by \$840,000. Of this amount, \$759,600 would be paid by the General Fund, of which \$164,600 would begin in FY 2022 and the remaining \$595,000 would begin by FY 2024. The remaining \$80,400 would be paid by other agency funds.

Analysis

The Newborn Screening Program centralizes the testing of all newborns in the state for a standard set of 30 core disorders included on the RUSP. Newborns are tested once at about 24 hours of age and again at their first doctor's visit. To process tests at the State Health Lab, DHS collects a \$36 fee for the first screening, which is currently set in statute, and a \$65 fee for the second screening, which is set by the department in rule, for a total screening cost of \$101.

The bill would require DHS to screen for all 61 congenital disorders that are currently included on the RUSP, including 35 core disorders and 26 secondary conditions. Beginning January 1, 2022, DHS would be required to include new disorders on the state's screening panel within two years of being added to the RUSP.

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JLBC

In FY 2020, the department processed tests for 78,327 newborns at a cost of approximately \$6.9 million, or \$229,300 per disorder. If the cost of processing tests for the additional 31 disorders on the RUSP is consistent with current average testing cost, we initially reported that annual newborn screening costs would increase by approximately \$7.1 million. DHS subsequently reported that the average cost of processing the additional tests will be less than the current average testing cost, or approximately \$4.9 million in total.

In addition to annual costs for processing additional tests, the department may need to purchase new lab equipment or complete verification studies for new disorders to ensure the lab equipment and reagents are working appropriately prior to implementation on the screening panel. DHS estimates that new equipment purchases will total \$530,400 and the cost of verification studies will total \$412,200, for total one-time costs of \$942,600.

The bill would require two of the RUSP disorders, Spinal Muscular Atrophy (SMA) and X-Linked Adrenoleukodystrophy (X-ALD), to be added to the panel in FY 2022 and the remaining 29 conditions to be added by FY 2024. Of the total \$4.9 million in additional ongoing costs, \$601,300 would fund X-ALD costs and \$483,300 would fund SMA costs, for total ongoing costs of \$1.1 million in FY 2022. The remaining \$3.8 million in ongoing costs would be begin by FY 2024.

Of the \$942,600 in one-time costs, \$553,500 would be for an X-ALD verification study and for X-ALD and SMA lab equipment purchases in FY 2022. The department has already completed a verification study for SMA. The remaining \$389,100 in one-time costs would be incurred by FY 2024 for lab equipment and verifications studies needed for the other 29 conditions.

The bill would eliminate the statutory cap on screening fees and allow DHS to increase its fees. The bill would also require DHS to present any fees increases to the Joint Legislative Budget Committee for review and includes an intent statement that any fee increase not exceed the direct cost of testing.

Costs of newborn screening tests are billed to insurance providers or to the newborn's guardian if the newborn is not insured. To the extent that DHS increases fees to cover the costs of including all RUSP disorders in the screening panel, costs to the state would increase for paying screening costs for newborns of benefited state employees and for newborns receiving state Medicaid coverage. The current fees are \$101. DHS estimates that it would increase its fees by \$13 in FY 2022 and an additional \$47 by FY 2024 in order to fund the costs outlined above. Based on this increased fee level and the number of newborns added to state health insurance plans and state Medicaid plans each year, state costs would increase by \$840,000. Of this amount, \$720,000 would be for state Medicaid General Fund costs, \$39,600 would be for state employee General Fund costs, and \$80,400 would be for state employee costs paid by other agency funds. In FY 2022, total state General Fund costs would be \$164,600 and other agency fund costs would be \$17,400. By FY 2024, General Fund costs would increase by an additional \$595,000 and other agency costs would increase by \$63,000.

Please see *Table 1* for a breakdown of the bill's estimated costs in FY 2022 and FY 2024.

Table 1			
SB 1680 Estimated Costs			
	<u>FY 2022</u>	<u>FY 2024</u>	<u>Total</u>
DHS Ongoing Costs	\$1,084,700	\$3,808,400	\$4,893,100
DHS One-time Costs	<u>553,500</u>	<u>389,100</u>	<u>942,600</u>
<i>Total DHS Costs</i>	<i>\$1,638,200</i>	<i>\$4,197,500</i>	<i>\$5,835,700</i>
AHCCCS General Fund Costs	\$156,000	\$564,000	\$720,000
State Employee General Fund Costs	<u>8,600</u>	<u>31,000</u>	<u>39,600</u>
<i>Total General Fund Costs</i>	<i>\$164,600</i>	<i>\$595,000</i>	<i>\$759,600</i>
State Employee Other Fund Costs	\$17,400	\$63,000	\$80,400

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Local Government Impact

To the extent that DHS increases fees to cover the costs of including all RUSP disorders in the newborn screening panel, costs to local governments would increase for paying screening costs of benefited employees and their dependents. The impact by city and county would depend on the number of births to their employees and dependents each year and cannot be determined in advance.

4/8/21