

JLBC Fiscal Note

BILL # HB 2433

SPONSOR: Bliss

PREPARED BY: Chandler Coiner

TITLE: medicare supplement insurance; ALS; ESRD

STATUS: As Introduced

Description

The bill would require any insurance carrier that offers Medicare Supplement Insurance coverage (also referred to as "Medigap") to individuals 65 years or older to also offer coverage to individuals who are eligible and enrolled in Medicare due to end-stage renal disease (ESRD) or amyotrophic lateral sclerosis (ALS).

Estimated Impact

We estimate the bill could increase Insurance Premium Tax (IPT) collections by \$91,300 annually due to an additional 1,055 individuals enrolling in Medigap plans. IPT collections are deposited into the General Fund. The bill does not affect AHCCCS or the Arizona Department of Administration's state employee health insurance program.

We have asked the Department of Insurance and Financial Institutions (DIFI) for its estimate of the fiscal impact, but we have not yet received a response.

Analysis

Our estimate assumes the following:

- 1) According to a health care research organization and federal Medicare data, there are 4,999 individuals enrolled in Medicare with ESRD under 65 years old in Arizona.
- 2) According to an ALS advocacy organization, there are 626 individuals in Arizona with ALS. Based on a report from the National Institutes of Health, we assume 44% of these individuals are under age 65 and are enrolled in Medicare.
- 3) In total, we estimate there are 5,274 individuals in Arizona with either ESRD or ALS under age 65 and would therefore be offered Medigap coverage under this bill.
- 4) Medigap participation would increase by 1,055 individuals due to this bill, assuming a 20% participation rate. We assume only a portion would participate because individuals with ESRD/ALS may have access to Medicare Advantage Chronic Condition Special Needs Plans (C-SNPs) that offer low cost sharing. Additionally, individuals who qualify for Medicaid may also receive Medicare cost sharing support through a Medicare Savings Program (MSP). Nationwide, approximately 20% of Medicare beneficiaries currently participate in Medigap.
- 5) According to a health care research organization, the average Medigap monthly premium in Arizona is \$212.
- 6) Because the bill would require Medigap insurance carriers to charge individuals under 65 years old with ESRD/ALS the same premium that it charges to a 65-year-old individual, we estimate that the average Medigap premium could increase due to a high-needs population such as ESRD/ALS gaining access to coverage.
- 7) We lack data necessary to quantify the impact the bill could have on existing premiums. However, in states that have expanded Medigap access to individuals under age 65 (but do not require premium parity with individuals age 65 and older) the premiums for the under 65 population are typically 1.5x to 3.0x or more compared to the standard rate due to higher average medical expenses. As a result, we assume the impact on premium collections is 2.0x larger than the \$212 average premium would suggest based on the experience of similar states that have expanded access, such as Colorado and Tennessee.
- 8) The state's IPT rate is 1.7%.

Given these assumptions, we estimate that IPT collections would increase by \$91,300 annually as a result of this bill ($1,055 \times \$212 \times 2 \times 12 \text{ months} \times 1.7\%$).