Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 598 of the 129th G.A. **Date**: December 4, 2012

Status: As Introduced **Sponsor**: Reps. Grossman and Terhar

Local Impact Statement Procedure Required: Yes

Contents: To include pervasive developmental disorders in the mental health insurance parity law

State Fiscal Highlights

- The requirement to provide coverage for pervasive developmental disorders would increase costs to the state of providing health benefits to its employees and their dependents. Currently, the state's health benefit plan does not cover treatment for autism or other developmental disorders. The cost could be $3 million to $4 million per year, paid from various state funds, with a significant share of the total being paid from the GRF.
- The requirement to provide coverage for pervasive developmental disorders may increase costs to Medicaid to provide such coverage for enrollees with such pervasive developmental disorders. To the extent that such coverage is already covered by the Medicaid Program, the impact on its costs should be reduced.

Local Fiscal Highlights

- The bill would increase costs to counties, municipalities, and townships statewide of providing health benefits to their employees and their dependents. LSC staff could not determine the magnitude of the fiscal impact due to lack of information on the number of plans that will be affected by the required coverage; to the extent that such coverage is already included in local governments' health benefit plans, estimates of their costs in this Fiscal Note would be overstated. Subject to that qualification, the cost could be up to $12 million statewide, and possibly more.
- The bill would increase costs to school districts statewide of providing health benefits to their employees and their dependents. LSC staff could not determine the magnitude of the fiscal impact due to lack of information on the number of plans that will be affected by the required coverage; to the extent that such coverage is already included in school districts' health benefit plans, estimates of their costs in this Fiscal Note could be overstated. Subject to that qualification, the cost could be up to $13 million statewide, and possibly more.

Detailed Fiscal Analysis

The bill would require "health insurers," including public employee benefit plans, to include diagnostic and treatment services for "pervasive developmental disorders" under biologically based mental illnesses coverage. Under the bill, "pervasive developmental disorder" includes: (1) autistic disorder, (2) Asperger's disorder, (3) pervasive developmental disorder – not otherwise specified, (4) Rett's syndrome, and (5) a childhood disintegrative disorder, as defined in the most recent edition of the Diagnostic and Statistical Manual of Mental Disorders.

The bill specifies that the coverage for pervasive developmental disorders must include applied behavior analysis. Under the bill, the coverage for applied behavior analysis is limited to an annual maximum benefit of $50,000. The bill provides that if the required applied behavior analysis would result in the state paying the cost of benefits that exceed the essential health benefits specified under the federal Patient Protection and Affordable Care Act (ACA) on and after January 1, 2014, then the additional benefits are not required of health benefit plans in the individual market or in the small group market that are offered by a health insurer in Ohio either through or outside a health insurance exchange.

Under existing law, a health insurer is not required to offer coverage for diagnostic and treatment services for biologically based mental illnesses in combination with the offer of coverage for all other listed basic health care services if it submits certain documentation to the Superintendent of Insurance. The documentation must be certified by an independent member of the American Academy of Actuaries showing that incurred claims for diagnostic and treatment services for biologically based mental illnesses for a period of at least six months independently caused the health insuring corporation's costs for claims and administrative expenses for the coverage of basic health care services to increase by more than 1% per year. However, the requirement could be dropped only upon approval from the Superintendent of Insurance.

Fiscal effect

The bill may increase insurance premiums of the state's self-insured health benefit plan and local governments' health benefit plans. Any increase in insurance premium would increase costs to state and local governments to provide health benefits to employees and their dependents. Currently, the state's health benefit plan does not cover treatment for autism or other developmental disorders. In FY 2013, the state pays 85% toward employees' health insurance premiums, which are paid from various state funds and the GRF.

In addition, LSC staff could not determine the magnitude of the bill's fiscal impact on local governments due to lack of information on the number of plans that will be affected by the required coverage. To the extent that such coverage is already

included in local governments' health benefit plans, the impact on their costs of providing health benefits to employees and their dependents should be reduced.

Background information

The number of individuals who have been diagnosed with a pervasive developmental disorder who are currently residing in Ohio is undetermined. However, according to nationwide data from a report published by the Centers for Disease Control (CDC), the prevalence of autism spectrum disorders (ASD), which are a group of developmental disabilities characterized by impairments in social interaction and communication and by restricted, repetitive, and stereotyped patterns of behavior, is approximately one in every 88 children in 2008.[1] Based on data from the Ohio Department of Health, there were 733,489 live births in Ohio between 2006 and 2010.[2] Assuming the CDC ratio, approximately 8,335 children in Ohio may have been diagnosed with ASD.

According to data derived from the Annual Social and Economic Supplement of the Current Population Survey (CPS), published by the U.S. Census Bureau, in 2011 approximately 60.6%[3] of Ohioans received their health insurance coverage through their employer-based plans. One might reasonably assume that the children insured through an employer are covered by governmental plans in proportion to the overall employment of Ohioans reported by the U.S. Bureau of Labor Statistics (BLS). That is, BLS data for September 2012 indicate that 1.3% of the Ohio nonfarm workforce was employed by state government (not including those employed by an educational institution), 4.7% were employed by local government (not including those employed by an educational institution), and 5.1% were employed in local government education.

Using the estimated figure above that 8,335 children in Ohio may have been diagnosed with ASD, the number of children with ASD that are covered by an employer-provided health plan is estimated to be 5,051, assuming 60.6% of children receive coverage through their parents' employer's health benefit plans. The number of children with ASD that are covered by a state health plan is estimated to be approximately 66, the number that are covered by a health plan sponsored by a county, municipality, or township is estimated to be approximately 237, and the number covered by a school district-sponsored health plan is estimated to be approximately 258.

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[1] Centers for Disease Control and Prevention (CDC). *Prevalence of Autism Spectrum Disorders – Autism and Developmental Disabilities Monitoring Network, United States, 2008*. Morbidity and Mortal Weekly Report (MMWR) 2012; Vol. 61(3).

[2] We used births over a five-year period to reflect a general consensus among treatment professionals that intensive treatment is effective primarily for very young children.

[3] Table H105: *Health Insurance Coverage Status and Type of Coverage by State and Age for All People: 2011*. The Annual Social and Economic Supplement to the Current Population Survey.

Based on the estimated number of children in Ohio who may have been diagnosed with ASD and the bill's requirement that costs for services related to the required applied behavior analysis is subject to an annual cap of $50,000 per individual, the estimated total costs to government employers to provide the required applied behavior analysis coverage for these children would be about $3.3 million, $11.9 million, and $12.9 million per year to the state, local governments, and school districts, respectively.

Moreover, based on Ohio Medicaid data, there were about 407,902 children under age five enrolled in the state Medicaid Program in March 2011. Assuming the CDC ratio above, approximately 4,635 children in the Medicaid Program may have been diagnosed with ASD. Using the bill's requirement that costs for services related to the required applied behavior analysis is subject to an annual cap of $50,000 per individual, the estimated total costs to the Medicaid Program would be about $232 million per year.

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