

FISCAL IMPACT OF PROPOSED LEGISLATION

80th Oregon Legislative Assembly – 2019 Regular Session
Legislative Fiscal Office

Measure: SB 139 - 1

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Measure Description:

Imposes restrictions and reporting requirements for utilization management of health services by commercial insurers, coordinated care organizations and state medical assistance program.

Government Unit(s) Affected:

Oregon Health Authority (OHA), Department of Consumer and Business Services (DCBS)

Summary of Fiscal Impact:

Costs related to the measure are indeterminate at this time - See explanatory analysis.

Analysis:

SB 139 - 1 changes portions of the state's Insurance Code related to prior authorization and step therapy protocols for prescription drugs.

Under SB 139 - 1, health insurance providers must:

- Approve requests for prior authorization of a year-long course of treatment with a prescription drug under certain circumstances.
- Establish prior authorization or step therapy protocols and update these on an ongoing basis based on the latest science on developments in treatments.
- Adjudicate reimbursement claims based on the information that was used to approve prior authorization.
- Report to the Department of Consumer and Business Services (DCBS) certain information on requests received each year for prior authorization.

This measure further describes the methods and types of communication, timelines, and processes which an insurer must implement regarding prior authorization, and outlines when an exception should be granted to a step therapy protocol.

DCBS anticipates that implementation of this measure can be absorbed by current agency resources.

The Oregon Health Authority (OHA) houses the Public Employees' Benefit Board (PEBB) and the Oregon Educators Benefit Board (OEBB). OHA estimates that PEBB and OEBB health insurance premiums could increase by one to two percent if prior authorizations are curtailed under this measure. The agency indicates this potential increase in premiums would challenge PEBB's and OEBB's ability to meet the statutorily-required 3.4% annual growth cap on health care premiums and expenditures.

In accordance with the anticipated increase in premiums, OHA estimates show increased Other Funds expenditures of \$13.2 million for PEBB and \$22.0 million for OEBB over 18 months in 2019-21 as a result of the measure. In 2021-23, the agency anticipates expenditures to total \$17.6 million for PEBB and \$29.3 million for OEBB over 24 months. These numbers could vary based on factors such as which health insurance plan employees choose. Additionally, although PEBB's expenditures are budgeted as Other Funds, approximately 43%

of the program's revenue comes from the General Fund in the form of premium payments for covered employees.

The potential expenditure impacts of this measure require consideration by the Joint Committee on Ways and Means.