

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

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7265**

**BILL NUMBER: HB 1293**

**DATE PREPARED:** Feb 18, 2000

**BILL AMENDED:** Feb 17, 2000

**SUBJECT:** Colorectal Cancer Testing.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

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

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill requires the group self-insurance program for state employees and any contract under which a health maintenance organization (HMO) provides health care services to state employees to provide coverage for colorectal cancer examinations and laboratory tests according to the current guidelines of the American Cancer Society.

The bill also requires group accident and sickness insurance policies and group HMO contracts that are employer based to provide coverage for colorectal cancer examinations and laboratory tests according to the current guidelines of the American Cancer Society.

The bill also provides that an accident and sickness insurer or an HMO is required only to offer to provide coverage or services for colorectal cancer screenings in the case of group HMO contract that is not employer based.

**Effective Date:** July 1, 2000.

**Explanation of State Expenditures:** (Revised) This bill could initially increase expenditures to the state health plans in the provision of health care benefits to state employees. However, published research suggests significant cost-effectiveness to various screening strategies for colorectal cancer that would offset the costs of screening. Cost savings can result from earlier cancer detection, as well as in the prevention of cancer development.

*Background:* To the extent that coverage would have to be provided for services that were not considered medically necessary, costs to the state through the state employee health benefit plans could initially increase. However, published research (Nelson, 1996) reports cost-effectiveness in screening for colorectal cancer. Six screening strategies were examined: (1) Annual fecal occult blood testing (FOBT); (2) Fiberoptic sigmoidoscopy every 3, 5, or 10 years; (3) Double-contrast barium enema every 3, 5, or 10 years; (4)

Colonoscopy every 3, 5, or 10 years; (5) Fiberoptic sigmoidoscopy every 5 years and FOBT annually; and (6) Barium enema every 5 years and FOBT annually. Cost was determined by current Medicare reimbursement for each of the above procedures. In addition, the cost of treating colorectal cancer of various stages was determined in order to calculate the cost savings of either earlier cancer detection in screening or cancer prevention. All six of the screening strategies were found to be cost effective.

The state is responsible for 93.5% of any increase or decrease in the premiums for both single and family coverage that might result from this provision during the life of the employee agreement. Employees will pick up the remaining 6.5% of any increase.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) Similar to the state, increased premiums and enrollment fees may result in additional costs to local governments and school corporations purchasing health benefits from insurance companies and HMOs for their employee health benefit plans. However, published research, described above, indicates cost effectiveness in screening activities for colorectal cancer.

In addition, initial impacts on insurance costs may not necessarily imply additional budgetary outlays since employer responses to changes in health benefit costs may include: (1) greater employee cost sharing in health benefits; (2) reduction or elimination of health benefits; (3) reduction in the size of the workforce eligible for health benefits; and (4) passing costs onto workers in the form of lower wage increases than would have been granted before. These effects are likely to be small.

**Explanation of Local Revenues:**

**State Agencies Affected:** All

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

**Information Sources:** "Screening of Average-Risk Individuals for Colorectal Cancer and Postoperative Evaluation of Patients with Colorectal Cancer", Nelson, Richard L., MD, Surgical Clinics of North America, Volume 76, Number 1, February 1996, pp. 35-45.