

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6863
BILL NUMBER: HB 1182

DATE PREPARED: Jan 1, 2001
BILL AMENDED:

SUBJECT: Insurance Coverage for Infertility.

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FUNDS AFFECTED: GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires a group health insurance policy or health maintenance organization (HMO) contract that provides pregnancy-related benefits to include coverage for the diagnosis of infertility and coverage for specified infertility treatment procedures in certain circumstances. The bill exempts policies issued to religious organizations if the fertility treatment procedures offend religious beliefs. It also prohibits coverage for procedures that involve the disposal of fertilized eggs.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill requires group health insurance policies and HMO plans that provide pregnancy benefits to also provide coverage for the diagnosis and treatment of infertility. These provisions are assumed to also apply to the health benefit plans provided to state employees. To the extent that these benefits are not currently offered through the traditional indemnity plans or through the HMO plans as part of the state employee health benefit package, there would be additional costs incurred by these plans. The additional cost potentially could be reflected in increased premiums and enrollment fees. Based on published research, the additional cost to the state in FY 2002 is estimated to range from approximately \$321,000 to \$869,000, and in FY 2003 is estimated to range from approximately \$334,000 to \$908,000. [The health plans providing health benefits to state employees estimate additional costs for infertility coverage to be \$3.7 M to \$5.2 M.]

Background: Hidlebaugh, et.al. (1997) analyzed the cost of assisted reproductive technologies (including in vitro fertilization, gamete intra fallopian transfer, cryopreserved embryo transfer, zygote intra fallopian transfer/tubal embryo transfer, and donor oocyte) for one 170,000-member HMO in Massachusetts after the infertility insurance coverage mandate. The Massachusetts mandate has been in force since 1989. The authors found the average cost for assisted reproductive technologies to be \$3.16 per member per year over the period 1990 through 1996. This estimate inflates to \$4.14 per member per year for FY 2002 and \$4.31 per member per year for FY 2003 (respectively, about \$0.35 and \$0.36 per member per month). These costs include

obstetric and neonatal costs of twins and triplets, as well. Based on current state employee participation in the state health plans, this data provides an estimate of the additional cost to state employee health plans of approximately \$344,000 in FY 2002 and \$358,000 in FY 2003. By agreement with the state employees, the state agrees to pay 93.5% of any increase in the total premiums for both single and family coverage during the life of the agreement. Employees will pick up the remaining 6.5% of any increase. Consequently, the state share of this additional cost is estimated to be \$321,000 in FY 2002 and \$334,000 in FY 2003, the lower estimate provided above.

Griffin and Panak (1998) analyzed the impact on premiums attributable to the mandate for coverage of infertility-related services in Massachusetts after the coverage mandate. Griffin and Panak found that the expenditure for the infertility-related procedures in 1993 was approximately 0.41% of the total health care expenditures within the Blue Cross/Blue Shield of Massachusetts plan. Comparable analyses were not possible for the HMO plans, but would be expected to be less than the indemnity plan. This provides an estimate of \$1.71 per contract per month for a hypothetical \$5,000 per year health care insurance policy for 1993. This estimate inflates to \$2.24 per contract per month for FY 2002 and \$2.34 per contract per month for FY 2003. (This should be the upper limit on costs based on assumptions used in the study, as well as the fact that this estimate represents the total cost of infertility coverage, rather than the marginal coverage. In other words, the estimate does not net out the health plan expenditures for lower technology infertility procedures that were already covered under the health plans.) Based on current state employee participation in the state health plans, this data provides an estimate of the additional cost to state employee health plans of approximately \$930,000 in FY 2002 and \$971,000 in FY 2003. Based on the cost-sharing outlined above, the state share of this additional cost is estimated to be approximately \$869,000 in FY 2002 and \$908,000 in FY 2003, the higher end of the range provided above.

The eight health plans providing coverage to state employees in 1998 were surveyed in December 1998 for their cost estimates and four responded to the request. (1) One quoted a University of Iowa study showing that infertility benefits represented about 0.85% of total health care costs in the university's self-funded, fee-for-service plan. The plan also suggested that other studies have reported the cost of infertility services being as much as \$5.35 per member per month. (2) Another state employee health plan responding to our request for information estimated the cost to their plan to be a 4.0% to 5.0% increase in current premium. (3) Another health plan estimated \$3.03 per contract per month. (4) The fourth plan estimates \$6.00 per member per month for a 4.6% increase in premium. Based on the cost estimates provided by the health plans and inflation since 1999, the additional costs for infertility coverage are estimated to range from approximately \$3.86 M to \$5.42 M in FY 2002, and from approximately \$4.03 M to 5.65 M in FY 2003. Based on the cost-sharing outlined above, that state share of this additional cost is estimated to range from approximately \$3.6 M to \$5.07 M in FY 2002, and from approximately \$3.77 M to \$5.28 M in FY 2003.

Explanation of State Revenues:

Explanation of Local Expenditures: 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 due to coverage for the diagnosis and treatment of infertility. Based on the referenced studies, the estimated total impact on health plan costs of these mandated benefits (1) ranges from \$0.35 per member per month to \$2.24 per contract per month in FY 2002 dollars; and (2) ranges from \$0.36 per member per month to \$2.34 per contract per month in FY 2003 dollars. However, this may not necessarily imply additional budgetary outlays since employer responses to increased 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 otherwise occur.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local Governments and School Corporations.

Information Sources: Keith Beesley, Department of Personnel, 232-3062.

Griffin, Martha, and William F. Panak, Ph.D., “The Economic Cost of Infertility-Related Services: An Examination of the Massachusetts Infertility Insurance Mandate”, Fertility and Sterility, Vol. 70, No. 1, July 1998, pp. 22-29.

Hidlebaugh, M.D., Dennis, Irwin E. Thompson, M.D., and Merle J. Berger, M.D., “Cost of Assisted Reproductive Technologies for a Health Maintenance Organization”, The Journal of Reproductive Medicine, Vol. 42, No. 9, September 1997, pp. 570-574.