

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2484 - SB 2401**

March 11, 2024

**SUMMARY OF BILL:** Requires every group health insurance contract and every group hospital or medical expense insurance policy, plan, and group policy delivered, issued for delivery, amended or renewed in the state by a health insurance carrier, on or after January 1, 2025, to provide coverage for physician prescribed treatment of pediatric autoimmune neuropsychiatric disorders associated with streptococcal infections (PANDAS) and pediatric acute-onset neuropsychiatric syndrome (PANS), including, but not limited to, antibiotics, medication, behavioral therapies to manage neuropsychiatric symptoms, immunomodulating medicines, plasma exchange, and intravenous immunoglobulin therapy.

Establishes that coverage of PANDAS and PANS must adhere to the treatment recommendations developed by a medical professional consortium convened for the purposes of researching, identifying, and publishing best practice standards for diagnosis and treatment of such disorders that are accessible for medical professionals and are based on evidence of positive patient outcomes. Prohibits coverage for a form of medically necessary treatment from being limited over the lifetime of an insured, enrollee, beneficiary, or by the duration of a policy period. Requires certain codes to be utilized for PANDAS and PANS for billing and diagnosis purposes.

**FISCAL IMPACT:**

**Increase State Expenditures – \$3,516,500/FY24-25  
\$7,033,000/FY25-26 and Subsequent Years**

**Increase Federal Expenditures – \$329,800/FY24-25  
\$659,600/FY25-26 and Subsequent Years**

**Increase Local Expenditures – \$484,100/FY24-25\*  
\$968,100/FY25-26 and Subsequent Years\***

**Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111):** Such legislation will result in an increase in the cost of health insurance premiums for procedures and treatments being provided by plans that do not currently offer these benefits at the proposed mandated levels. It is estimated that the increase to each individual's total premium will be less than one percent.

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Assumptions:

*Department of Commerce and Insurance*

- The proposed legislation will be considered benefit coverage mandates to the essential health benefits (EHB) of the qualified health plans (QHPs) offered on and off the Marketplace Exchange.
- The state will be required to defray the cost of benefits because they exceed those provided under Tennessee's EHB benchmark plan.
- As of February 2024, the Department of Commerce and Insurance (DCI) showed a total population of 555,103 individuals on qualified health plans (QHP).
- According to estimates from multiple QHP providers, the increase in costs per member per month as a result from the proposed legislation will be approximately \$0.80. This would result in an increase in state expenditures of \$5,328,989 ( $\$0.80 \times 12 \times 555,103$ ) annually in order for DCI to defray the costs of this increase.
- Due to the January 1, 2025 effective date, the increase in state expenditures to DCI is estimated to be \$2,664,495 ( $\$5,328,989 \times 50\%$ ) in FY24-25 and \$5,328,989 in FY25-26 and subsequent years.

*Division of TennCare*

- TennCare managed care organizations (MCOs) currently provide coverage for PANS and PANDAS; however, the proposed legislation will broaden the current coverage requirements and require MCOs to provide for treatments based on recommendations developed by a medical professional consortium.
- Based on information provided by the Division of TennCare, the annual cost of coverage for PANS and PANDAS related treatment in the TennCare program is \$7,774,876 per year.
- It is estimated that the proposed legislation will result in a 10 percent, or \$777,488 ( $\$7,774,876 \times 10\%$ ), increase in expenditures on PANS and PANDAS related treatment.
- Medicaid expenditures receive matching funds at a rate of 64.928 percent federal to 35.072 percent state. Of this amount, \$272,680 ( $\$777,488 \times 35.072\%$ ) will be in state expenditures, and \$504,807 ( $\$777,488 \times 64.928\%$ ) will be in federal expenditures.
- Due to the January 1, 2025 effective date, the increase in state expenditures to the TennCare program will be \$136,340 ( $\$272,680 \times 50\%$ ) in FY24-25 and \$272,680 in FY25-26 and subsequent years.
- The increase in federal expenditures to the TennCare program will be \$252,404 ( $\$504,807 \times 50\%$ ) in FY24-25, and \$504,807 in FY25-26 and subsequent years.

*Division of Benefits Administration*

- The proposed legislation requires coverage for certain treatments for individuals with PANDAS and PANS, including intravenous immunoglobulin therapy.
- Based on information provided by the Division of Benefits Administration, immunoglobulin therapy is considered experimental and is not covered under the State Group Insurance Program (SGIP).

- There are approximately 62,790 children enrolled in the SGIP. It is estimated that PANS and PANDAS occur in approximately 0.5 percent of all children. It is further estimated that 10 percent of children with PANS or PANDAS will utilize intravenous immunoglobulin therapy.
- The average cost of intravenous immunoglobulin therapy is estimated to be \$90,000 per child per year.
- Requiring coverage of immunoglobulin therapy will result in an increase in expenditures to the SGIP of approximately \$2,825,550 [(62,790 x 0.5% x 10%) x \$90,000] per year.
- It is estimated that 48 percent of members are on the State Employee Plan, 43 percent are on the Local Education Plan and 9 percent are on the Local Government Plan.
- The state contributes 80 percent of member premiums resulting in a recurring increase in state expenditures of \$1,085,011 (\$2,825,550 x 48% x 80%).
- Some state plan members' insurance premiums are funded through federal dollars. It is estimated 14.27 percent of the state share of the state plan is funded with federal dollars, resulting in an increase in federal expenditures of \$154,831 (\$1,085,011 x 14.27%).
- The state contributes 45 percent of instructional member premiums (75 percent of Local Education Plan members) and 30 percent of support staff member premiums (25 percent of Local Education Plan members) resulting in state expenditures of \$501,182 [(\$2,825,550 x 43% x 75% x 45%) + (\$2,825,550 x 43% x 25% x 30%)].
- The mandatory increase in expenditures for the local government share of the Local Education Plan is estimated to be \$713,805 [(\$2,825,550 x 43%) - \$501,182].
- The state does not contribute to the Local Government Plan. It is estimated the Local Government Plan would be responsible for a mandatory increase in local expenditures estimated to be \$254,300 (\$2,825,550 x 9%).
- Due to the January 1, 2025 effective date, the impact in FY24-25 is estimated to be half of the full-year impact.
- The total increase in state expenditures to the SGIP is estimated to be \$715,681 [(\$1,085,011 - \$154,831 + \$501,182) x 50%] in FY24-25 and \$1,431,362 (\$1,085,011 - \$154,831 + \$501,182) in FY25-26 and subsequent years.
- The increase in federal expenditures to the SGIP is estimated to be \$77,415 (\$154,831 x 50%) in FY24-25 and \$154,831 in FY25-26 and subsequent years.
- The total mandatory increase in local expenditures is estimated to be \$484,053 [(\$713,805 + \$254,300) x 50%] in FY24-25 and \$968,105 (\$713,805 + \$254,300) in FY25-26 and subsequent years.

#### *Total Impacts*

- The total increase in state expenditures is estimated to be \$3,516,516 (\$2,664,495 + \$136,340 + \$715,681) in FY24-25 and \$7,033,031 (\$5,328,989 + \$272,680 + \$1,431,362) in FY25-26 and subsequent years.
- The total increase in federal expenditures is estimated to be \$329,819 (\$252,404 + \$77,415) in FY24-25 and \$659,638 (\$504,807 + \$154,831) in FY25-26 and subsequent years.
- The total mandatory increase in local expenditures is estimated to be \$484,053 in FY24-25 and \$968,105 in FY25-26 and subsequent years.

- Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation will result in an increase in the cost of health insurance premiums for procedures and treatments being provided by plans that do not currently offer these benefits at the proposed mandated levels. It is estimated that the increase to each individual's total premium will be less than one percent.

**IMPACT TO COMMERCE:**

**Increase Business Revenue – \$4,330,400/FY24-25  
\$8,660,800/FY25-26 and Subsequent Years**

**Increase Business Expenditures –  
Less than \$4,330,400/FY24-25  
Less than \$8,660,800/FY25-26 and Subsequent Years**

Assumptions:

- Healthcare providers will experience an increase in revenue of \$4,330,388 (\$3,516,516 + \$329,819 + \$484,053) in FY24-25 and \$8,660,774 (\$7,033,031 + \$659,638 + \$968,105) in FY25-26 and subsequent years.
- The increase in business expenditures is estimated to be less than those amounts for companies to retain solvency.
- Any impact to jobs in Tennessee is estimated to be not significant.

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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