



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **SB0417.01: Generally revise laws relating to insurance coverage relating to obesity prevention**

Primary Sponsor: Ellie Boldman Status: As Introduced

☐ Included in the Executive Budget ☒ Needs to be included in HB 2 ☐ Significant Local Gov Impact
☐ Significant Long-Term Impacts ☒ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures				
General Fund (01)	\$0	\$44,149,979	\$44,812,229	\$45,484,412
Other	\$0	\$0	\$0	\$0
Proprietary Fund	\$12,208,609	\$12,574,868	\$12,952,114	\$13,340,677
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Net Impact	<u>\$0</u>	<u>(\$44,149,979)</u>	<u>(\$44,812,229)</u>	<u>(\$45,484,412)</u>
General Fund Balance				

Description of fiscal impact

SB 417 requires coverage for medically necessary injectable medicines to improve glucose or weight loss. There is a fiscal impact to the state from this proposed legislation.

FISCAL ANALYSIS

Assumptions

Commissioner of Higher Education

- The bill, as proposed, will have a fiscal impact on the Montana University System based on the following assumptions:
 - The annual average of plan cost of diabetic therapy drugs is \$5,492,016.
 - The annual average of plan cost of GLP-1 drugs is \$3,997,145.
 - A 1.000 adjustment for claims incurred but not report (IBNR) is applied.
 - The estimated claims trend from midpoint to FY 2026 is 1.188.
 - Estimated FY 2026 Plan Cost of Diabetic Therapy Drugs (a x c x d) is \$6,524,515.
 - Estimated FY 2026 Plan Cost of GLP-1 Drugs (b x c x d) is \$4,748,608.
 - Expected Utilization Increase due to Extended Coverage Eligibility is 5%.
 - Estimated Additional Plan Cost of Diabetic Therapy Drugs under Bill (e x g) for FY 2026 is \$326,226.
 - Estimated Additional Plan Cost of GLP-1 Drugs under Bill (f x g) for FY 2026 is \$237,430.
 - An inflation factor of 3% was applied to FY 2027, FY 2028, and FY 2029.

Department of Administration

2. SB 417 will have a fiscal impact to the State Health Benefit Plan based on the following assumptions:
- Annual average of plan cost of diabetic therapy drugs is \$11,542,399.
 - Annual average of plan cost of GLP-1 drugs is \$7,361,745.
 - Adjustment for claims incurred by not reported (IBNR) is 1.000.
 - Estimated claims trend from midpoint to FY 2026 is 1.232.
 - Estimated FY 2026 plan cost of diabetic therapy drugs is \$14,220,236 ($11,542,399 \times 1.000 \times 1.232$).
 - Estimated FY 2026 plan cost of GLP-1 drugs is \$9,069,670 ($7,361,745 \times 1.000 \times 1.232$).
 - Expected utilization increase due to extended coverage eligibility is 50%.
 - Estimated additional plan cost of diabetic therapy drugs under bill is \$7,110,118 ($14,220,236 \times 0.50$).
 - Estimated additional plan cost of GLP-1 drugs is \$4,534,835 ($9,069,670 \times 0.50$).
 - Total additional plan cost under the bill is \$11,644,953.
 - Year over year pharmacy trend factor to estimate FY 2027 through FY 2029 is 3.0%.

State Auditor's Office

3. Per 45 CFR § 155.170 of the Affordable Care Act, the state of Montana is required to pay the costs of certain state benefit mandates (mandates) enacted after December 31, 2011, that (1) apply to Qualified Health Plans (QHPs) sold in the individual and small group markets, on and off-exchange; and (2) are in addition to the essential health benefits and which relate to specific care, treatment, or services. States are not required to defray benefit mandates that do not relate to specific care, treatment, or services. The federal government has identified six benefit mandates that would not require defrayal pertaining to (1) provider types; (2) cost-sharing; (3) reimbursement methods; (4) delivery methods; (5) dependent coverage; and (6) compliance with federal requirements.
4. SB 417 requires each "individual policy, certificate of insurance, or membership contract" issued by disability insurers, health service corporations, and HMOs to provide coverage for "all types of medically necessary, as determined by a physician licensed to practice medicine in all of its branches, injectable medicines prescribed on-label or off-label to improve glucose or weight loss for use by adults diagnosed or previously diagnosed with prediabetes, gestational diabetes, or obesity" (referred to here as "mandated benefit").
5. For the purposes of the defrayal analysis, SB 417 applies to fully insured QHP individual policies (and QHP small group policies to the extent SB 417 is amended to apply to group policies) issued by a health insurance issuer (an insurer, a health service corporation, or a health maintenance organization), sold on- and off-exchange. Applying the framework at 45 CFR § 155.170, the State Auditor's Office (SAO) has concluded the mandated benefit in SB 417 will require the state of Montana to defray the associated costs of the benefit.
6. The SAO will reimburse issuers with general fund dollars after having received the appropriate issuer documentation.
7. SB 417 does not outline an effective date. The SAO has assumed the requirements of this bill will apply to health insurance policies issued on or after October 1, 2025.
8. The SAO can satisfy the requirements of SB 417 with existing staff.
9. Three issuers sell QHPs in the individual and/or small group markets in Montana. The SAO requested each issuer to provide a cost estimate, based on an annual calculation, associated with the coverage for the mandated benefit:
- The estimated number and percentage of the issuer's QHP individual and small group membership that will use the mandated benefit – identifying total membership by individual and small group lines of business and applicable percentages.
 - The cost estimate associated with the precise benefit (mandated benefit). The cost estimate must include the application of projected deductibles, coinsurance, copayments, and other limitation parameters.
10. The SAO has not repeated each issuer's assumptions, qualifiers, limitations, exclusions, and/or methodologies that may have been included as part of their submission. Below are the cost estimates for each of the issuers:

Issuer	Total QHP Membership	Annualized Cost Estimate
Issuer #1	42,092	\$ 36,594,317
Issuer #2	22,779	\$ 5,466,960
Issuer #3	10,549	\$ 2,088,702
Total Annualized Cost Estimate:		\$ 44,149,979

11. These costs have been inflated by 1.5% for fiscal years 2028 and 2029.

Fiscal Analysis Table

Commissioner of Higher Education				
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Benefits	\$563,656	\$580,566	\$597,983	\$615,922
TOTAL Expenditures	\$563,656	\$580,566	\$597,983	\$615,922
<u>Funding of Expenditures</u>				
Other	\$0	\$0	\$0	\$0
Proprietary Fund	\$563,656	\$580,566	\$597,983	\$615,922
TOTAL Funding of Expenditures	\$563,656	\$580,566	\$597,983	\$615,922
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
Other	\$0	\$0	\$0	\$0
Proprietary Fund	(\$563,656)	(\$580,566)	(\$597,983)	(\$615,922)
Department of Administration				
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Benefits	\$11,644,953	\$11,994,302	\$12,354,131	\$12,724,755
TOTAL Expenditures	\$11,644,953	\$11,994,302	\$12,354,131	\$12,724,755
<u>Funding of Expenditures</u>				
Other	\$0	\$0	\$0	\$0
Proprietary Fund	\$11,644,953	\$11,994,302	\$12,354,131	\$12,724,755
TOTAL Funding of Expenditures	\$11,644,953	\$11,994,302	\$12,354,131	\$12,724,755
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
Other	\$0	\$0	\$0	\$0
Proprietary Fund	(\$11,644,953)	(\$11,994,302)	(\$12,354,131)	(\$12,724,755)

State Auditor's Office

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Benefits	\$0	\$44,149,979	\$44,812,229	\$45,484,412
TOTAL Expenditures	\$0	\$44,149,979	\$44,812,229	\$45,484,412
<u>Funding of Expenditures</u>				
General Fund (01)	\$0	\$44,149,979	\$44,812,229	\$45,484,412
TOTAL Funding of Expenditures	\$0	\$44,149,979	\$44,812,229	\$45,484,412
Other	\$0	\$0	\$0	\$0
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	\$0	(\$44,149,979)	(\$44,812,229)	(\$45,484,412)
Other	\$0	\$0	\$0	\$0

STATEWIDE SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
TOTAL Fiscal Impact	0.00	0.00	0.00	0.00
<u>Expenditures</u>				
Benefits	\$12,208,609	\$56,724,847	\$57,764,343	\$58,825,089
TOTAL Expenditures	\$12,208,609	\$56,724,847	\$57,764,343	\$58,825,089
<u>Funding of Expenditures</u>				
General Fund (01)	\$0	\$44,149,979	\$44,812,229	\$45,484,412
Other	\$0	\$0	\$0	\$0
Proprietary Fund	\$12,208,609	\$12,574,868	\$12,952,114	\$13,340,677
TOTAL Funding of Expenditures	\$12,208,609	\$56,724,847	\$57,764,343	\$58,825,089
<u>Revenues</u>				
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	\$0	(\$44,149,979)	(\$44,812,229)	(\$45,484,412)
Other	\$0	\$0	\$0	\$0
Proprietary Fund	(\$12,208,609)	(\$12,574,868)	(\$12,952,114)	(\$13,340,677)

Effect on County or Other Local Revenues or Expenditures

Montana Association of Counties

1. The Montana Association of Counties assumes that most plans cover services contemplated already and that the requirements in SB 417 do not apply to the non-regulated pooled insurance programs generally used by counties.

Technical Concerns

1. Section 1 of SB 417, as currently drafted, only applies to individual policies, certificates of insurance, or membership contracts. The cost defrayal requirements for state-mandated benefits apply differently depending on whether the bill is amended to include group policies.

NO SPONSOR SIGNATURE

3/3

Sponsor's Initials

Date



Budget Director's Initials

3/3/2025

Date