GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0783.01: Generally revise health insurance laws relating to certain conditions**

Primary Sponsor: Scott Rosenzweig 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

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Expenditures				
General Fund (01)	$0	$37,723,542	$38,289,395	$38,863,736
Other	$0	$0	$0	$0
Proprietary Fund	$11,796,927	$12,150,835	$12,515,360	$12,890,821
Revenues				
General Fund (01)	$0	$0	$0	$0
Other	$0	$0	$0	$0
Net Impact General Fund Balance	$0	($37,723,542)	($38,289,395)	($38,863,736)

Description of fiscal impact

HB 783 requires coverage of glucagon-like peptide-1 receptor agonists and treatments for Polycystic Ovary Syndrome (PCOS) when deemed medically necessary. Medical necessity includes a diagnosis of diabetes, class 3 obesity, or PCOS. There is a fiscal impact to the state from this proposed legislation.

FISCAL ANALYSIS

Assumptions

Commissioner of Higher Education

1. The proposed legislation will create a fiscal impact to the MUS Group Insurance Plan based on the following assumptions:
   - Annual Average of Plan Cost of GLP-1 Drugs is $3,997,145.
   - Adjustment for Claims incurred but not reported (IBNR) is 1.000.
   - Estimated Claims Trend from midpoint to FY 2026 is 1.188.
   - Estimated FY 2026 Plan Cost of GLP-1 Drugs (a x b x c) is 4,748,608.
   - Expected Utilization Increase due to Expanded Coverage is 2%.
   - The FY 2026 estimated additional plan cost of GLP-1 Drugs under the bill (d x e) is $94,972.
   - Inflation of 3% calculated for subsequent years.

Department of Administration

2. There is a fiscal impact to the State Health Benefit Plan from HB 783. For purposes of this fiscal note, the medical and pharmacy impacts are shown separately:

Medical Side

- Annual average of allowed cost of diabetes equipment is $225,646.
- Annual average of plan cost of diabetes equipment is $111,917.
- Plan to allowed ratio is 49.6% (111,917 ÷ 225,646).
- Annual average of diabetes equipment not covered is $135,179.
- Pre-65 not covered average where 100% assumed to become allowed is $87,769.
- Medicare not covered average where 5% assumed to become allowed is $2,371.
- Annual average of diabetes equipment not covered assumed to become allowed is $90,140 (87,769 + 2,371).
- Annual average of diabetes equipment not covered assumed to become paid is $44,709 (90,140 × 0.496).
- Adjustment for claims incurred but not reported (IBNR) is 1.007.
- Estimated claims trend from midpoint to FY 2026 is 1.151.
- Estimated FY 2026 additional cost of diabetes equipment to become paid is $51,820 (44,709 × 1.007 × 1.151).
- Expected utilization increase due to extended coverage eligibility is 10%.
- Estimated FY 2026 additional plan cost of diabetes equipment under bill is $57,002 (51,820 × [1 + 0.10]).

Pharmacy Side

- 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 × 1.000 × 1.232).
- Estimated FY 2026 plan cost of GLP-1 drugs is $9,069,670 (7,361,745 × 1.000 × 1.232).
- Expected utilization increase due to extended coverage eligibility is 50%.
- Estimated additional plan cost of diabetic therapy drugs under bill is $11,644,953 ([14,220,236 + 9,069,670] × 0.50).

Total Fiscal Impact

- Net Cost for FY 2026 is $11,701,955 (57,002 + 11,644,953).
- Year over year 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. HB 783 requires each "individual policy, certificate of insurance, and membership contract that is delivered, issued for delivery, renewed, extended, or modified" by disability insurers, health service corporations, HMOs, and MEWAs to provide coverage for "(i) glucagon-like peptide-1 receptor agonists if it is determined to be medically necessary; and (ii) polycystic ovary syndrome if it is determined to be medically necessary." HB 783 provides that "the term 'medically necessary' includes but is not limited to a diagnosis of diabetes or class 3 obesity or polycystic ovary syndrome." The coverage mandate proposed by HB 783 is referred to herein as "mandated benefit."
5. For the purposes of the defrayal analysis, HB 783 applies to fully insured QHP individual policies (and QHP small group policies to the extent HB 783 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 HB 783 will require the state of Montana to defray the associated costs of the benefit.

6. The SAO would reimburse issuers with general fund dollars after having received the appropriate issuer documentation.
7. HB 783 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 HB 783 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	$ 30,167,880
Issuer #2	22,779	$ 5,466,960
Issuer #3	10,549	$ 2,088,702
Total Annualized Cost Estimate:		$ 37,723,542

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**
Fiscal Impact				
Expenditures				
Benefits	$94,972	$97,821	$100,756	$103,779
TOTAL Expenditures	**$94,972**	**$97,821**	**$100,756**	**$103,779**
Funding of Expenditures				
Other	$0	$0	$0	$0
Proprietary Fund	$94,972	$97,821	$100,756	$103,779
TOTAL Funding of Expenditures	**$94,972**	**$97,821**	**$100,756**	**$103,779**
Revenues				
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				

Other	$0	$0	$0	$0
Proprietary Fund	($94,972)	($97,821)	($100,756)	($103,779)

Department of Administration

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
Expenditures				
Benefits	$11,701,955	$12,053,014	$12,414,604	$12,787,042
TOTAL Expenditures	**$11,701,955**	**$12,053,014**	**$12,414,604**	**$12,787,042**
Funding of Expenditures				
Other	$0	$0	$0	$0
Proprietary Fund	$11,701,955	$12,053,014	$12,414,604	$12,787,042
TOTAL Funding of Expenditures	**$11,701,955**	**$12,053,014**	**$12,414,604**	**$12,787,042**
Revenues				
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
Other	$0	$0	$0	$0
Proprietary Fund	($11,701,955)	($12,053,014)	($12,414,604)	($12,787,042)

State Auditor's Office

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
Expenditures				
Benefits	$0	$37,723,542	$38,289,395	$38,863,736
TOTAL Expenditures	**$0**	**$37,723,542**	**$38,289,395**	**$38,863,736**
Funding of Expenditures				
General Fund (01)	$0	$37,723,542	$38,289,395	$38,863,736
TOTAL Funding of Expenditures	**$0**	**$37,723,542**	**$38,289,395**	**$38,863,736**
Other	$0	$0	$0	$0
Revenues				
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	$0	($37,723,542)	($38,289,395)	($38,863,736)
Other	$0	$0	$0	$0

STATEWIDE SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
TOTAL Fiscal Impact	**0.00**	**0.00**	**0.00**	**0.00**
Expenditures				
Benefits	$11,796,927	$49,874,377	$50,804,755	$51,754,557
TOTAL Expenditures	**$11,796,927**	**$49,874,377**	**$50,804,755**	**$51,754,557**
Funding of Expenditures				
General Fund (01)	$0	$37,723,542	$38,289,395	$38,863,736
Other	$0	$0	$0	$0
Proprietary Fund	$11,796,927	$12,150,835	$12,515,360	$12,890,821
TOTAL Funding of Expenditures	**$11,796,927**	**$49,874,377**	**$50,804,755**	**$51,754,557**
Revenues				
TOTAL Revenues	**$0**	**$0**	**$0**	**$0**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	$0	($37,723,542)	($38,289,395)	($38,863,736)
Other	$0	$0	$0	$0
Proprietary Fund	($11,796,927)	($12,150,835)	($12,515,360)	($12,890,821)

Effect on County or Other Local Revenues or Expenditures

Montana Association of Counties

1. The Montana Association of Counties assumes medical premiums will not increase based on the mandatory coverage.

Technical Concerns

1. Section 1 of HB 783, 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.

NOT SIGNED BY SPONSOR

Sponsor's Initials ______ Date ______

Budget Director's Initials ______ Date 3/3/2025