# Department of Planning and Budget 2025 General Assembly Session State Fiscal Impact Statement

#### PUBLISHED: 1/22/2025 3:20 PM

#### ORIGINAL

 Bill Number:
 HB 1641
 Patron:
 Hope

 Bill Title:
 State plan for medical assistance services and health insurance; pediatric autoimmune neuropsychiatric disorders associated with streptococcal infections and pediatric acute-onset neuropsychiatric syndrome

**Bill Summary:** The proposed legislation directs the Board of Medical Assistance Services to amend the state plan for medical assistance services to include a provision for payment of medical assistance for the prophylaxis, diagnosis, and treatment of pediatric autoimmune neuropsychiatric disorders associated with streptococcal infections (PANDAS) and pediatric acute-onset neuropsychiatric syndrome (PANS) that includes payment for treatment using antimicrobials, medication, and behavioral therapies to manage neuropsychiatric symptoms, immunomodulating medicines, plasma exchange, and intravenous immunoglobulin therapy.

The bill also requires each insurer proposing to issue individual or group accident and sickness insurance policies providing hospital, medical and surgical, or major medical coverage on an expense-incurred basis; each corporation providing individual or group accident and sickness subscription contracts; and each health maintenance organization providing a health care plan for health care services to provide coverage for the prophylaxis, diagnosis, and treatment of PANDAS and PANS. The bill requires such coverage to include coverage for treatment using antibiotics, medication, and behavioral therapies to manage neuropsychiatric symptoms, immunomodulating medicines, plasma exchange, and intravenous immunoglobulin therapy.

The bill prohibits an insurer, corporation, or organization from (i) denying or delaying the coverage of PANDAS or PANS because the enrollee previously received treatment or because the enrollee was diagnosed with or received treatment for his condition under a different diagnostic name, including autoimmune encephalopathy; (ii) limiting coverage of immunomodulating therapies for the treatment of PANDAS or PANS in a manner that is inconsistent with the treatment guidelines developed by a consortium convened for the purposes of researching, identifying, and publishing best practice standards for diagnosis and treatment of PANDAS or PANS that are accessible for medical professionals and are based on evidence of positive patient outcomes; (iii) requiring a trial of therapies for the treatment of PANDAS or PANS; or (iv) denying coverage for out-of-state treatment if the service is not available within the Commonwealth.

## Budget Amendment Necessary: Yes Items Impacted: 75, 288, 479

**Explanation:** The State Corporation Commission is the pass-through entity for defrayal payments to carriers. The moneys for defrayal payments are appropriated from the general fund and the moneys for administering the defrayal payments are appropriated from the nongeneral fund.

#### **Fiscal Summary:**

**Department of Human Resources Management:** The agency reports that the fiscal impact is \$1,610,000. The fund split for health insurance premiums is 50 percent general fund and 50 percent nongeneral funds.

**Department of Medical Assistance Services:** The cost on medical assistance programs is indeterminate. While most PANS/PANDAS treatments are currently covered, potential treatment protocols are unknown.

**State Corporation Commission:** The fiscal impact is estimated to total \$24,875 in FY2026, due to the coverage mandate being effective January 1, 2026, and payments not being issued until the fourth quarter of the fiscal year. All subsequent fiscal years reflect a full year's worth of payments. Beginning FY2027, the total annual estimated impact is \$101,490 and is adjusted annually for inflation in the tables below. Since defrayal payments are based on actual claims, the amount of general fund appropriations may need to be adjusted once claims data is received for PANDAS/PANS.

### General Fund Expenditure Impact:

Agency	FY2025	FY2026	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
DHRM (129)	-	\$805,000	\$805,000	\$805,000	\$805,000	\$805,000
DMAS (602)	-	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
SCC (171)	-	\$23,625	\$96,390	\$98,320	\$100,285	\$102,290
TOTAL	-	\$828,625	\$901,390	\$903,320	\$905,285	\$907,290

#### Nongeneral Fund Expenditure Impact:

Agency	<u>FY2025</u>	<u>FY2026</u>	FY2027	FY2028	FY2029	<u>FY2030</u>			
DHRM (129)	-	\$805,000	\$805,000	\$805,000	\$805,000	\$805,000			
DMAS (602)	-	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate			
SCC (171)	-	\$1,250	\$5,100	\$5,205	\$5,310	\$5,415			
TOTAL	-	\$806,250	\$810,100	\$810,205	\$810,310	\$810,415			

## **Fiscal Analysis:**

## **Department of Health Resources Management**

The Department of Health Resources Management (DHRM) reports that the prevalence of PANDAS/PANS is one per 200 children aged 3 to 14. Further, DHRM estimates the number of COVA children in this range is 21,500 and the cost of treatment is approximately \$15,000. The total cost is \$1,610,000 (\$850,000 general fund).

#### **Department of Medical Assistance Services**

According to the Department of Medical Assistance Services, the cost of this proposal is indeterminate. The department assumes that treatments currently associated with PANS and PANDAS are already covered in Medicaid and FAMIS, including behavioral therapies. However, PANS and PANDAS do not have specific diagnosis code and future treatment protocols are unknown. To the extent any of these potential treatments are utilized because of the bill, then additional costs may be incurred.

#### **State Corporation Commission**

Coverage for PANDAS/PANS begins January 1, 2026, and continues thereafter on a calendar year basis. Because coverage for PANDAS/PANS is in addition to the essential health benefits (EHBs) contained in the EHB

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benchmark plan, federal law (45 C.F.R. § 155.170) requires the state to defray the cost of this additional benefit by making payments to health carriers for claims paid under the new additional benefit. Payments are distributed on a quarterly basis; for example, carriers would receive defrayal payments for claims occurring from January to March in the following calendar quarter. Because of this lag in payments, appropriations in FY 2026 would only be needed to cover a single quarter (payment issued in Q4 for claims occurring in Q3). Payments for claims occurring in FY 2026 Q4 would not be distributed until Q1 of FY2027.

Based on the analysis of the Bureau of Insurance (BOI) as presented to the Health Insurance Reform Commission, it is estimated that the annual defrayal payment amount is \$94,500, which is paid from the general fund. The fiscal impacts are based on this estimate, though BOI does caution that since defrayal payments are based on actual claims, the amount of general fund appropriations may need to be adjusted once it begins receiving claims data for PANDAS/PANS form health carriers. In addition to the defrayal amounts from the general fund, BOI estimates that it would need nongeneral fund appropriations for a contract actuary (\$5,000) for claims data. BOI also estimates that defrayal payments would annually take 80 hours (\$6,015, reflecting hourly rate and a multiplier to capture fringe benefits and overhead) of a policy advisor's time; however, the cost of these hours can be absorbed within existing resources. The estimated expenses are based on BOI's historical experience in making defrayal payments for the state-mandated health benefit of hearing aids for minors.

As noted in the explanation above, the FY 2026 estimates are for one quarter's expenses; all subsequent fiscal year estimates reflect a full year's worth of payments to carriers. A two percent annual inflationary rate has been assumed beginning in FY 2027 and later and is reflected in the fiscal impact.

Other: None