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HB0400 - Coverage Parity for Amino Acid-based Formula

HB 400 (Redd, E) Anticipated Fiscal Impact:

\$211,731 increase in annual medical costs starting July 2017.

Assumptions:

1. **Prevalence:** For the conditions of eosinophilic esophagitis, eosinophilic gastritis, eosinophilic gastroenteritis, eosinophilic enteritis, eosinophilic colitis, and food protein-induced enterocolitis syndrome the prevalence in the State of Utah's population is 125 members with these diagnoses. Of those with these diagnoses, 12% would take the formula orally - the currently uncovered benefit. This amounts to 15 members. Additionally, for immunoglobulin E-mediated and nonimmunoglobulin E-mediated allergies to multiple food proteins, the projected number of members is 5.1% times the number of members ages 0-17. Of these members 1% are projected to take the formula orally. The estimated number of members for the State of Utah's population is 9.5 members ($18,648 * 0.051 * 0.01 = 9.5$). Combined, the total projected members using the formula benefit would be 24.5 members.
2. **Estimated Cost of Services:** A published study titled, "Analysis of Assembly Bill 163: Amino Acid-Based Elemental Formulas," prepared by the California Health Benefits Review Program (CHBRP) estimate costs at \$13,900 per year per patient after weighting for age and recommended dosage. Further estimates by the National Institute of Health estimates the cost of formula during the first year of life is \$6,255. Estimates indicate that costs had not changed materially from this publication to when PEHP priced a similar bill in 2015. Since 2015 the pharmacy trend on formula products was calculated as 6.9%. We added two and a half years of trending (pricing for the plan year starting 7/1/2017). This created a starting point at age 0 of \$7,355. To this we added 5% for each incremental age until we reached the trended cost for the CHBRP study of \$14,300. From there we weighted the member / plan cost sharing assuming current weights of Traditional and STAR enrollment. The weighted sum across all ages is \$235,257.

3. **Financial Impact Calculation:** The State pays 90% of the premium increase, resulting in a total fiscal impact of \$211,731 ($\$235,257 * 90\% = \$211,731$).

4. **Impact of New Benefit Mandates under the ACA:** This analysis does not include an estimate of the potential cost that could be incurred by the State under the ACA for new benefit mandates not included in the market benchmark plan.