

FEB 12 2003

COMMERCE, REGULATION & LABOR

HOUSE FILE 181
BY FREEMAN and FREVERT

(COMPANION TO LSB 2302SS BY
JOHNSON)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act requiring every insurer offering group health insurance to
2 provide coverage for certain enteral formulas.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 181

1 Section 1. NEW SECTION. 514C.21 ENTERAL FORMULAS --
2 COVERAGE.

3 1. Notwithstanding the uniformity of treatment
4 requirements of section 514C.6, a group policy or contract
5 providing for third-party payment or prepayment of health or
6 medical expenses shall not exclude or restrict benefits for
7 enteral formulas for home use for which a practitioner
8 licensed by law to prescribe and administer prescription drugs
9 has issued a written order, if such policy or contract
10 provides benefits for other outpatient prescription drugs or
11 devices. Such written order shall state that the enteral
12 formula is medically necessary for the patient.

13 2. For purposes of this section, "enteral formula" means
14 enteral formulas which have been proven effective for the
15 treatment of specific diseases including, but not limited to,
16 inherited diseases of amino acid or organic acid metabolism;
17 Crohn's disease; gastroesophageal reflux with failure to
18 thrive; disorders of gastrointestinal motility such as chronic
19 intestinal pseudo-obstruction; and multiple, severe food
20 allergies, which if left untreated will cause malnourishment,
21 chronic physical disability, mental retardation, or death.
22 The commissioner, by rule, shall further define enteral
23 formula.

24 3. a. This section applies to the following classes of
25 third-party payment provider contracts or policies delivered,
26 issued for delivery, continued, or renewed in this state on or
27 after July 1, 2003:

28 (1) Individual or group accident and sickness insurance
29 providing coverage on an expense-incurred basis.

30 (2) Any individual or group hospital or medical service
31 contract issued pursuant to chapter 509, 514, or 514A.

32 (3) Any individual or group health maintenance
33 organization contract regulated under chapter 514B.

34 (4) Any other entity engaged in the business of insurance,
35 risk transfer, or risk retention, which is subject to the

1 jurisdiction of the commissioner.

2 (5) A plan established pursuant to chapter 509A for public
3 employees.

4 (6) An organized delivery system licensed by the director
5 of public health.

6 b. This section shall not apply to accident only,
7 specified disease, short-term hospital or medical, hospital
8 confinement indemnity, credit, dental, vision, Medicare
9 supplement, long-term care, basis hospital and medical-
10 surgical expense coverage as defined by the commissioner,
11 disability income insurance coverage, coverage issued as a
12 supplement to liability insurance, workers' compensation or
13 similar insurance, or automobile medical payment insurance.

14

EXPLANATION

15 This bill creates new Code section 514C.21 and provides
16 that a group policy or contract providing for third-party
17 payment or prepayment of health or medical expenses which
18 provides coverage benefits for other outpatient prescription
19 drugs or devices shall not exclude or restrict coverage
20 benefits for enteral formulas for home use prescribed by a
21 practitioner as being medically necessary and proven effective
22 as a disease-specific treatment regimen for individuals who
23 are or will become malnourished or suffer from disorders,
24 which, if left untreated, will cause chronic physical
25 disability, mental retardation, or death.

26 The bill defines "enteral formula" as formulas which have
27 been proven effective for the treatment of specific diseases
28 including, but not limited to, inherited diseases of amino
29 acid or organic acid metabolism; Crohn's disease;
30 gastroesophageal reflux with failure to thrive; disorders of
31 gastrointestinal motility such as chronic intestinal pseudo-
32 obstruction; and multiple, severe food allergies which if left
33 untreated will cause malnourishment, chronic physical
34 disability, mental retardation, or death.

35 The bill provides that the commissioner, by rule, shall

1 further define enteral formulas. The bill provides that the
2 new Code section applies to third-party payment provider
3 contracts, or policies delivered, issued for delivery,
4 continued, or renewed in this state on or after July 1, 2003.

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HF 181 - Mental Health & Substance Abuse Insurance Parity (LSB 2302 HT)
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Fiscal Note Version - New
Requested by Representative Brad Hansen

Description

House File 181 creates Chapter 514C.21, Code of Iowa, and requires that a group policy, contract, or plan providing for third-party payment or prepayment of health or medical expenses which provides coverage benefits for outpatient prescription drugs or devices must provide coverage benefits for enteral formulas for home use under the policy, contract, or plan, delivered, issued for delivery, continued, or renewed in Iowa on or after July 1, 2004.

Enteral formula means formulas which have been proven effective for the treatment of specific diseases including, but not limited to, inherited diseases of amino acid or organic acid metabolism; Crohn's disease; gastro-esophageal reflux with failure to thrive; disorders of gastrointestinal motility such as chronic intestinal pseudo-obstruction; and multiple, severe food allergies which if left untreated will cause malnourishment, chronic physical disability, mental retardation, or death.

Assumptions

1. Total FY 2004 State employee health and medical costs would be approximately \$242.7 million, not including members of the State Peace Officers Council, and employees on a Managed Care Organization (MCO) plan not on central payroll.
2. Total plan costs would increase by an estimated 1.0% in FY 2004.
3. The costs of enteral formulas for home use will increase at the same rate as other medical condition costs.
4. The projection for FY 2005 assumes a total plan increase of 15.0% compared to FY 2004, without any changes in benefits.
5. The proportion of General Fund is assumed to be 53.0%, the federal portion is assumed to be 35.0%, and the employee share is assumed to be 12.0%.

Fiscal Impact

House File 181 would cost the General Fund an estimated \$1.3 million in FY 2004 and \$1.5 million in FY 2005.

Approximately \$850,000 for FY 2004 and approximately \$977,000 for FY 2005 would be funded from federal monies.

The estimated employee share of the increase would be \$291,000 for FY 2004 and \$335,000 for FY 2005.

Sources

Department of Personnel
Wellmark Blue Cross and Blue Shield of Iowa

/s/ Dennis C Prouty

March 24, 2003
