COMMITTEE REPORT

March 10, 2022

**H. 3775**

Introduced by Reps. Robinson, Dillard, Elliott, Erickson, Parks, Martin, Fry, Matthews, V.S. Moss, G.R. Smith, Brawley, Rose, Stavrinakis and Hill

S. Printed 3/10/22--H.

Read the first time January 28, 2021.

**THE COMMITTEE ON MEDICAL,**

**MILITARY, PUBLIC AND MUNICIPAL AFFAIRS**

To whom was referred a Bill (H. 3775) to amend the Code of Laws of South Carolina, 1976, by adding Section 38‑71‑144 so as to provide definitions and that no health benefit plan may require 3, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, SECTION 1, by striking Section 38‑71‑144(B) and inserting:

/ (B) No health benefit plan issued, delivered, or renewed in this State that, as a provision of hospital, medical, or surgical services, directly or indirectly covers the treatment of stage four advanced, metastatic cancer may limit or exclude coverage for diagnostic imaging services for the diagnosis and treatment of the patient’s stage four advanced, metastatic cancer if the National Comprehensive Cancer Network Clinical Practice Guidelines in Oncology provide a consensus that the diagnostic imaging service in question is appropriate and is supported by peer‑reviewed literature.”

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Renumber sections to conform.

Amend title to conform.

LEON HOWARD for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Amended by House Medical, Military, Public, and Municipal Affairs on March 8, 2022**

**State Expenditure**

This bill requires any health benefit plan, including the State Benefit Plan, that covers the treatment of stage four advanced, metastatic cancer to cover diagnostic imaging services for the diagnosis and treatment of the patient’s cancer if the National Comprehensive Cancer Network Clinical Practice Guidelines in Oncology provide a consensus that the diagnostic imaging service in question is appropriate and is supported by peer-reviewed literature. Diagnostic imaging may be used to help diagnose cancer and to establish and monitor a treatment plan for cancer patients. Diagnostic imaging includes x-rays, CT scans, nuclear medicine scans, MRI scans, and ultrasounds, among others.

The Department of Health and Environmental Control’s (DHEC) South Carolina Cancer Profile as of March 2020 provides some information on cancer occurrences in the state. According to the profile, as of 2017, there were 27,766 new cases of cancer, which represented approximately 0.55 percent of the state’s population, as of 2017. Additionally, the total number of lives lost due to cancer in 2017 totaled 10,346. The Revenue and Fiscal Affairs Office (RFA) has insufficient data at this time to determine what percentage of these new cases would qualify for diagnostic imaging services due to this bill. We will update this impact if additional information becomes available.

This bill will result in an increase in coverage for those policies that currently cover the treatment of stage four advanced, metastatic cancer but not the diagnostic imaging services for the diagnosis and treatment of the patient’s cancer. Under the Affordable Care Act (ACA), the State may be required to pay the cost of private insurers for mandated additional benefits. This determination rests on whether the services required by the bill are considered a new additional benefit, not considered an essential health benefit, or an extension of current benefits. At this time, the answer to these legal questions is unclear. There is no history of a state triggering the reimbursements or precedent for state payments for expanded coverage requirements, and the responsibilities of a state with regard to this component of the ACA have not been established. If State liability is established, then the estimated costs are described below. If litigation is required to resolve this issue, then additional expenses may be incurred.

**Department of Insurance.** This bill requires insurers who cover the treatment of stage four advanced, metastatic cancer to cover diagnostic imaging services for the diagnosis and treatment of the patient’s cancer if the National Comprehensive Cancer Network Clinical Practice Guidelines in Oncology provide a consensus that the diagnostic imaging service in question is appropriate and is supported by peer-reviewed literature. DOI does not anticipate this bill will result in a significant change in the agency’s responsibilities. Therefore, this bill will have no expenditure impact for DOI.

**Public Employee Benefit Authority.** This bill requires insurers to cover diagnostic imaging services for the diagnosis and treatment of the patient’s cancer if the National Comprehensive Cancer Network Clinical Practice Guidelines in Oncology provide a consensus that the diagnostic imaging service in question is appropriate and is supported by peer-reviewed literature. PEBA currently covers these imaging services so long as it adheres to the National Comprehensive Cancer Network Clinical Practice Guidelines in Oncology protocols. Therefore, this bill will have no fiscal impact for PEBA.

**State Revenue**

This bill requires any health benefit plan, including the State Benefit Plan, that covers the treatment of stage four advanced, metastatic cancer to cover diagnostic imaging services for the diagnosis and treatment of the patient’s cancer.

This bill will result in an increase in coverage for those policies that currently cover the treatment of stage four advanced, metastatic cancer but not the diagnostic imaging services for the diagnosis and treatment of the patient’s cancer. This may result in an increase in insurance premiums and thereby increase general fund and other fund insurance premium tax revenue due to the increased cost of coverage. The insurance premium tax is 1.25 percent. Premium taxes are paid quarterly and are allocated as follows: 1 percent to the South Carolina Forestry Commission, 1 percent to the V-SAFE program, 0.25 percent to the aid to emergency medical services regional councils within DHEC, and the remaining 97.75 percent to the general fund. However, as the increase to premiums is unknown, the increase to the general fund and other funds insurance premium tax revenue is undetermined at this time. DOI is working to determine what impact this bill will have on insurance premiums within the state. If it is determined that this bill will result in an impact to insurance premiums, then DOI will provide an actuarial analysis pursuant to §2-7-73. If additional information becomes available, we will update this fiscal impact statement.

**Updated for Revised Information on February 24, 2021**

**Introduced on January 28, 2021**

**State Expenditure**

This bill requires any health benefit plan, including the State Benefit Plan, that covers the treatment of stage four advanced, metastatic cancer to cover any drug approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature. This coverage must occur without first requiring the insured to fail to response successively to different drugs or prove a history of failure of such drug or drugs.

Currently, a person may be required, for insurance purposes, to try other insured drugs or treatments that must fail prior to receiving other drugs. This bill would allow a person to have insurance cover any drug approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature

It is unclear whether this clarification of drug coverage within the established insurance coverage for treatment of stage four advanced, metastatic cancer will constitute a newly mandated benefit and therefore, would require a remittance from the State to insurers to cover any additional costs for coverage. However, if it is determined to be a newly mandated benefit that does not fall within one of the ten essential benefits under the Affordable Care Act (ACA), the State may be required to remit the increased cost. DOI is working to provide additional information on the anticipated impact to insurance premiums and thereby the impact to general fund and other fund insurance premium tax revenue. If additional information becomes available we will update this fiscal impact statement.

Under the ACA, the State may be required to pay the cost of private insurers for mandated additional benefits. This determination rests on whether the services required by the bill are considered a new additional benefit or an extension of current benefits. At this time, the answer to these legal questions is unclear. There is no history of a state triggering the reimbursements or precedent for state payments for expanded coverage requirements, and the responsibilities of a state with regard to this component of the ACA have not been established. If State liability is established, then the estimated costs are described below. If litigation is required to resolve this issue, then additional expenses may be incurred.

The Department of Health and Environmental Control’s (DHEC) South Carolina Cancer Profile as of March 2020 provides some information on cancer occurrences in the state. According to the profile, as of 2017, there were 27,766 new cases of cancer, which represented approximately 0.55 percent of the state’s population, as of 2017. Additionally, the total number of lives lost due to cancer in 2017 totaled 10,346. RFA has insufficient data at this time to determine what percentage of these new cases would qualify for drug coverage due to this bill.

Additionally, according to an article published on the National Cancer Institute’s website “The Imperative of Addressing Cancer Drug Costs and Value”, most cancer drugs launches between 2009 and 2014 were priced at more than $100,000 per patient for one year of treatment, or approximately $8,000 per month. As of the publication date of this article, 2018, there have been launch prices of as much as or more than $400,000 for a year of treatment.

For illustrative purposes, for every 1,000 cases of stage four advanced, metastatic cancer patients that choose to drug approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature at a price of $8,000 per patient per month results in a monthly cost of $8,000,000 to insurance plans.

Despite the small number of individuals in the insurance pool, less than 0.55 percent of the state population, the potential cost of coverage for the treatment of stage four advanced, metastatic cancer that is approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature will likely result in an increase in the cost of insurance coverage, and thereby an increase in insurance premiums. The amount of this potential increase is undetermined.

**Public Employee Benefits Agency (PEBA).** This bill requires the State Benefit Plan to cover any drug approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature. PEBA states this bill would affect products in the State Health Plan administered by both its pharmacy benefits contractor (self-administered medication) and its medical benefits contractor (physician-administered medication). Without specifics as to what products and practices the bill seeks to address, PEBA was not able to arrive at a precise fiscal impact. State Health Plan contractor utilization management practices follow National Comprehensive Cancer Network (NCCN) guidelines, so any barrier to access to best care is not evident to PEBA. Pharmacy claims do not contain diagnostic data, as such, PEBA’s contractor does not know the cancer stage of the patient until after a review has been completed.  PEBA expresses concern that this bill may stop all oncology-related Step Therapy and Authorization reviews.  Based upon 2020 data, Oncology-related Step Therapy and Prior Authorizations resulted in $2.9 M in cost savings, according to PEBA’s pharmacy contractor, while adhering to the NCCN guidelines. This number does not include additional costs resulting from review restrictions for physician-administered medication, and also does not take into account changes in prescribing patterns that could come about as a result if this bill is enacted. Therefore, the potential expenditure impact to the State Health Plan and thereby all agencies premium costs is unknown. How each agency’s funds it State Health Plan employer contributions will determine the potential expenditure impact to the general fund and other funds.

**Department of Insurance (DOI).** This bill requires insurers to cover any drug approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature. DOI does not anticipate this bill will result is a significant change in the agency’s responsibilities. Therefore, this bill will have no expenditure impact for DOI.

**State Revenue**

This bill requires any health benefit plan, including the State Benefit Plan, that covers the treatment of stage four advanced, metastatic cancer to cover any drug approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature. This coverage must occur without first requiring the insured to fail to response successively to different drugs or prove a history of failure of such drug or drugs. RFA anticipates this change in drug coverage may result in an increase in insurance premiums. As discussed above, while the number of stage four metastatic cancer patients relative to the total persons insured may be smaller, the cost of newer cancer drugs can be significant.

DOI is working to determine what impact this bill will have on insurance premiums within the state. If it is determined that this bill will result in an impact to insurance premiums then DOI will provide an actuarial analysis pursuant to §2-7-73. If additional information becomes available we will update this fiscal impact statement.

**Introduced on January 28, 2021**

**State Expenditure**

This bill requires any health benefit plan, including the State Benefit Plan, that covers the treatment of stage four advanced, metastatic cancer to cover any drug approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature. This coverage must occur without first requiring the insured to fail to response successively to different drugs or prove a history of failure of such drug or drugs.

Currently, a person may be required, for insurance purposes, to try other insured drugs or treatments that must fail prior to receiving other drugs. This bill would allow a person to have insurance cover any drug approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature

RFA does not anticipate that this clarification of drug coverage within the established insurance coverage for treatment of stage four advanced, metastatic cancer will constitute a newly mandated benefit and therefore, will not result in remittance from the State to insurers to cover any additional costs for coverage. However, if it is determined to be a newly mandated benefit that does not fall within one of the ten essential benefits under the Affordable Care Act (ACA), the State may be required to remit the increased cost.

Under the ACA, the State may be required to pay the cost of private insurers for mandated additional benefits. This determination rests on whether the services required by the bill are considered a new additional benefit or an extension of current benefits. At this time, the answer to these legal questions is unclear. There is no history of a state triggering the reimbursements or precedent for state payments for expanded coverage requirements, and the responsibilities of a state with regard to this component of the ACA have not been established. If State liability is established, then the estimated costs are described below. If litigation is required to resolve this issue, then additional expenses may be incurred.

**Public Employee Benefits Agency (PEBA).** This bill requires the State Benefit Plan to cover any drug approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature. PEBA is working to determine what if any expenditure impact this bill will have on the State Benefit Plan. The impact of this bill is pending, contingent upon an additional response from PEBA.

**Department of Insurance (DOI).** This bill requires insurers to cover any drug approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature. DOI does not anticipate this bill will result is a significant change in the agency’s responsibilities. Therefore, this bill will have no expenditure impact for DOI.

**State Revenue**

This bill requires any health benefit plan, including the State Benefit Plan, that covers the treatment of stage four advanced, metastatic cancer to cover any drug approved by the United States Food and Drug Administration that is consistent with best practices for the treatment of stage four advanced metastatic cancer and is supported by peer-reviewed literature. This coverage must occur without first requiring the insured to fail to response successively to different drugs or prove a history of failure of such drug or drugs. RFA anticipates this change in drug coverage may result in an increase in insurance premiums. While the number of stage four metastatic cancer patients relative to the total persons insured may be smaller, the cost of newer cancer drugs can be significant. DOI is working to determine what, if any, impact this bill will have on insurance premiums within the state. If it is determined that this bill will result in an impact to insurance premiums then DOI will provide an actuarial analysis pursuant to §2-7-73. Therefore, the general fund and other fund revenue impact is pending, contingent upon an additional response from DOI.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 38‑71‑144 SO AS TO PROVIDE DEFINITIONS AND THAT NO HEALTH BENEFIT PLAN MAY REQUIRE AN INSURED TO FAIL TO SUCCESSFULLY RESPOND TO A DRUG OR DRUGS FOR STAGE FOUR ADVANCED, METASTATIC CANCER PRIOR TO THE APPROVAL OF A DRUG PRESCRIBED BY HIS OR HER PHYSICIAN.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Article 1, Chapter 71, Title 38 of the 1976 Code is amended by adding:

“Section 38‑71‑144. (A) For purposes of this section:

(1) ‘Health benefit plan’ means all individual and group health insurance policies and health maintenance organizations, to include the State Health Plan.

(2) ‘Stage four advanced, metastatic cancer’ means cancer that has spread from the primary or original site of the cancer to nearby tissues, lymph nodes, or other areas or parts of the body.

(B) No health benefit plan issued, delivered, or renewed in this State that, as a provision of hospital, medical, or surgical services, directly or indirectly covers the treatment of stage four advanced, metastatic cancer may limit or exclude coverage for a drug approved by the United States Food and Drug Administration by mandating that the insured must first be required to fail to respond successfully to a different drug or drugs or prove a history of failure of such drug or drugs; provided, however, that the use of such drug or drugs is consistent with best practices for the treatment of stage four advanced, metastatic cancer and is supported by peer-reviewed literature.”

SECTION 2. This act takes effect upon approval by the Governor, and applies to health insurance plans issued, renewed, delivered, or entered into on or after the effective date of this act.

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