

March 18, 2009

Kansas SEHP Cost Estimate for
Kansas House Bill 2367 &
Kansas Senate Bill 12

Addendum to February 19, 2009 Oliver Wyman Report

Actuarial Cost Estimate: Kansas
Senate Bill 12 - An Act Concerning
Insurance; Providing Coverage for
Autism Spectrum Disorder

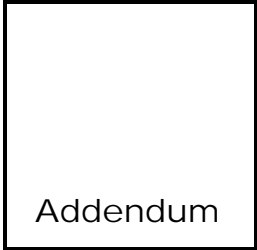
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Kansas SEHP Fiscal Note Cost Estimate

Oliver Wyman was engaged by Autism Speaks to develop a cost estimate to the Kansas State Employees Health Plan (SEHP) for the benefits mandated by Kansas House Bill 2367 and Senate Bill 12 which provide coverage for the diagnosis and treatment of autism spectrum disorders in individuals through age 21. In developing this cost estimate, we are utilizing our estimates developed for insured lives under the assumption that SEHP claims costs would be similar. These cost estimates and all of the assumptions underlying them were provided in our report “Actuarial Cost Estimate: Kansas Senate Bill 12 – An Act Concerning Insurance; Providing Coverage for Autism Spectrum Disorder” dated February 19, 2009. This fiscal note estimate is an addendum to that report.

	Market		
	Small Group	Large Group	All
Covered Persons	230,000	272,000	502,000
Average Premium per Person	\$3,800	\$3,500	\$3,637
Annual Mandate Claim Cost per Covered Person	\$22.60	\$22.60	\$22.60
Claim Cost as a Percentage of Premium	0.59%	0.65%	0.62%
Estimated Premium Increase with Admin @ 15%	\$26.60	\$26.60	\$26.60
Premium Increase as a Percentage of Premium	0.70%	0.76%	0.73%

Page 12 our February 19, 2009 report includes the table above. We believe that the annual claims cost per covered person for the SEHP will be similar to the \$22.60 estimated for the group insured market.

Based on this \$22.60 per person per year cost estimate, we have developed a cost estimate for the SEHP for FY 2010 as shown in the table below.

KANSAS SEHP FY 2010 COST ESTIMATE FOR HB 2367		
Children under 22 in SEHP per fiscal note	26,666	(A)
Estimated under 22 population percentage of total SEHP total per Census*	35.9%	(B)
Estimated covered persons within SEHP	74,333	(C) = (A)/(B)
Cost Estimate per person from Oliver Wyman 2/19/2009 Report for CY 2009	\$22.60	(D)
Cost Estimate in 2009 Dollars	\$ 1,679,920	(E) = (C) x (D)
Annual Trend (Same as underlying the KHPA Estimate)	6.5%	(F)
Trend Period (Middle of CY 2009 to middle of FY 2010)	0.5 Years	(G)
Trend Factor	103.2%	(H) = (1 + F)^(G)
SEHP Cost Estimate for FY2010	\$ 1,733,658	(I) = (E) x (H)

*Note this is the same demographic data underlying OW cost estimates

This claims cost estimate is approximately one-half of the FY2010 cost estimate for ASD therapies developed by KHPA of \$3,753,000. As we do not have the detailed underlying assumptions for the KHPA estimate, we cannot determine why our estimate is considerably lower. However, we believe that the diligence underlying the assumptions used to develop our \$1,733,658 FY2010 estimate, as documented in our February 19, 2009 report, makes our estimate credible.

We would also note that assuming some cost reduction for the first year the mandate is in place is warranted, which is important in estimating the fiscal impact of the mandated benefits on SEHP. We could reasonably expect limited utilization of ABA therapies in the first year due to the lack of ABA providers; this has been experienced elsewhere immediately following the introduction programs covering ABA. The expected first year cost reduction could be significant in FY 2010 for SEHP, and the lack of ABA providers likely will impact costs in the out years for the period covered by the fiscal note (FY2011 – FY2013), as well.

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