



July 14, 2008

Michelle Robleto, Director
Division of State Group Insurance
4050 Esplanade Way, Suite 215A
Tallahassee, FL 32399-0950

RE: State of Florida: Impact of Autism Benefit Mandate

Dear Michelle:

As requested by the State of Florida, Buck Consultants has prepared this letter to address the impact to the State of the autism benefit mandate. The attached exhibits provide the results and census data used. The assumptions are explained in further detail below.

Background

In May 2008, Senate Bill 2654 passed and was signed into law by the Governor requiring health insurance plans, including the state group insurance plan, to cover well-baby and child screening for diagnosing the presence of autism and to cover the treatment of autism through applied behavior analysis and assistant services, physical therapy, speech therapy and occupational therapy. The autism disorders covered are autistic disorder, Asperger's syndrome and pervasive developmental disorder not otherwise specified. Children under 18 or in high school are covered by the mandate. Coverage is limited to \$36,000 annually with a \$200,000 total lifetime benefit cap. Beginning January 1, 2011 these maximums will increase with inflation.

Results

Exhibits 1 and 2 present estimates of the cost of \$3.6 million in fiscal 2009-10 and \$8.0 million in fiscal 2010-11 for the PPO and HMO plans. This assumes the change is effective January 1, 2010. This equates to an estimated 0.38% rate increase on all plans or an additional annualized cost of \$40.99 for fiscal 2009-10 per employee/retiree for all PPO and HMO participants combined. In looking at the plan types separately, PPO costs would increase 0.34% or \$32.37 per employee/retiree. We estimate that HMO costs would increase 0.42% or \$50.71 per employee/retiree, but the actual cost for the HMOs will depend on their 2010 rate actions. The percentage increases are based the State Employee's Group Health Self-Insurance Trust Fund, Report on the Financial Outlook for the Fiscal Years Ending June 30, 2008 through June 30, 2012 (presented February 28, 2008).

Assumptions are outlined below.

Census

The estimates of covered children are based on census data supplied for PPO and HMO members as of May 2008. The data includes 176,115 subscribers (actives and retirees) covering an additional 111,294 children under the age of 25. However, since autism treatment does not typically start until age 2-3 only 50% of the children in the under age 5 bracket were included. Similarly, since coverage is only available to children under age 18 or in high school we only included 70% of the children in the 15-19 age bracket. No children in the 20-24 age bracket were included in the analysis. We included an adjustment to the PPO and HMO populations to account for growth and migration between plans to projected fiscal 2010 levels, but assumed no future membership growth or migration.

Prevalence and Incidence of Treatment; Cost of Treatment

The Center for Disease Control and Prevention (CDC) has published data that found approximately 1 in 150 (0.67%) of 8-year-old children in multiple areas of the United States has autism spectrum disorder (ASD). However, for various reasons, including the widely varying levels of impact of ASD, we believe that the utilization of this benefit will be less than the prevalence rate.

In completing the cost analysis we broadly broke up the children with autism into two groups – severe autistics and high-functioning autistics. To estimate the number of children with severe autism we looked at data on students being served in Florida schools for autism under the Individuals with Disability Education Act (IDEA). This data produced an incidence rate of 0.26% which we assumed applied to more severe autism.

Based in part on the parental survey conducted by Goin-Kochel, R.P, et al (“*Parental reports on the use of treatments and therapies for children with autism spectrum disorder*”) we assumed that approximately 50% of autistics fall into the severe grouping and 50% in the high-functioning group. There are a wide variety of treatment courses available for autism, and many families use multiple treatments simultaneously. The treatments used vary by both age and degree of autism. For example, children in early and middle school years were more likely to use behavioral treatments than older children. Children with Asperger’s syndrome have generally tried more drug treatments, while those with autistic disorder used more alternative therapies. It is assumed that the mandate will increase medical costs through various therapies, but that prescription drug costs will not be impacted.

These assumptions result in an overall incidence assumption on 0.52%. For severe cases we assumed an average annual cost of \$30,000, and for high-functioning and annual cost of \$5,000. The average annual cost is \$17,500, or \$90.42 per child between 2½ and 18.

Projected Costs

Costs were projected to future years assuming 9.5% medical trend. Caution must be taken with projections because of the potential of increased prevalence (as has occurred in the past) and the potential development of additional therapies that may increase costs further. However, the \$36,000 annual limit will help to mitigate the impact of new procedures.

If you have any questions, do not hesitate to contact us.

Sincerely,



Richard D. Stover, FSA
Principal

RS/dn

cc: Leticia Nazario-Braddock
Spencer Kraemer
Michelle LeVecque
Ken Whitford

Enc: Exhibits 1-2

Exhibit 1
The State of Florida
Florida Autism - IDEA Data

<u>Age Bracket</u>	<u>Prevalence of Autism Treatment</u>				
	2006 <u>Population</u>	Served <u>IDEA</u>	% " <u>Severe</u> "	% " <u>High-Functioning</u> "	<u>Total</u>
0-2	683,637	-	0.00%		
3-5	661,879	1,799	0.27%		
6-21	3,557,164	9,101	0.26%		
3-21	4,219,043	10,900	0.26%	0.26%	0.52%
Percentage of total cases			50%	50%	
Annual cost per case			\$30,000	\$5,000	\$17,500
			Annual cost per child		\$90.42
			Monthly cost per child		\$7.54

Exhibit 2
The State of Florida
Estimated Cost of Autism Benefits

<u>Age Bracket</u>	<u>PPO</u>		<u>HMO</u>		<u>Total</u>	
	<u>Estimated Currently Covered</u>	<u>Age 2 1/2 through High School</u>	<u>Estimated Currently Covered</u>	<u>Age 2 1/2 through High School</u>	<u>Estimated Currently Covered</u>	<u>Age 2 1/2 through High School</u>
<5	7,632	3,816	10,214	5,107	17,846	8,923
5-9	9,402	9,402	11,760	11,760	21,162	21,162
10-14	11,295	11,295	13,255	13,255	24,550	24,550
15-19	14,007	9,805	14,694	10,286	28,701	20,091
20-24	10,175	-	8,860	-	19,035	-
Total	52,511	34,318	58,783	40,408	111,294	74,726
Annual Cost per Child		\$90.42		\$90.42		\$90.42
Annual Cost Trend		9.5%		9.5%		9.5%
Enrollment Adjustment		-2.5%		7.3%		1.7%
FY 2009-10 Cost		\$1,582,620		\$2,051,018		\$3,633,638
FY 2010-11 Cost		\$3,465,938		\$4,491,729		\$7,957,667
FY 2011-12 Cost		\$3,795,202		\$4,918,444		\$8,713,646
FY 2012-13 Cost		\$4,155,746		\$5,385,696		\$9,541,442
Est. FY 2009-10 health expense*		\$942,700,000		\$972,900,000		\$1,915,600,000
Annualized impact on health expense		0.34%		0.42%		0.38%
Average cost per contract		\$32.29		\$50.60		\$40.90

* From the State Employee's Group Health Self-Insurance Trust Fund, Report on the Financial Outlook for the Fiscal Years Ending June 30, 2008 through June 30, 2012 presented February 28, 2008.