State of Rhode Island
Budget Office
Department of Administration

State Fiscal Note for Bill Number: 2022-H-7442

Date of State Budget Office Approval: **Friday, May 6, 2022**

Date Requested: **Monday, February 21, 2022**

Date Due: **Thursday, March 3, 2022**

Impact on Expenditures		*Impact on Revenues*	
FY 2022	$0	FY 2022	N/A
FY 2023	See Below	FY 2023	N/A
FY 2024	See Below	FY 2024	N/A

Explanation by State Budget Office:

This act expands Medicaid financed abortion coverage and repeals the abortion coverage exclusion for state employee insurance plans.

The Medicaid program currently provides abortion coverage only in cases of rape or incest, or to save the life of the pregnant individual. Section 2 of this act would provide services to Medicaid enrollees for any termination of pregnancy permitted under RIGL § 23-4.13-2, "the Reproductive Privacy Act." No federal funds would be used to pay for such services, except those permitted under federal law.

Section 3 of this act repeals RIGL § 36-12-2.1, removing the abortion coverage exclusion for state employee insurance plans. Currently, abortions are not covered under state employee health insurance plans, except in cases where the mother would be endangered if the fetus were carried to term, or where the pregnancy resulted from rape or incest.

Comments on Sources of Funds:

General revenue would finance the projected expansion of abortion services under the Medicaid Program. Per the Hyde Amendment (a rule that is annually attached to Congressional appropriation bills and approved every year by Congress), federal funds can only be used for abortions if the pregnancy is a result of rape, incest, or if it is determined to endanger the pregnant individual's life.

Medicaid expenditures are jointly financed by general revenues and federal funds according to the prevailing (blended) Federal Medicaid Assistance Percentage (FMAP), which is 54.19 percent in FY 2023.

The State is self-insured for health insurance and pays claims through an internal service fund financed by state employee premiums and state agency employer contributions derived from all fund sources in proportion to overall personnel costs. It is unclear whether the Hyde Amendment would prohibit funding from federally funded state employees going into a pool of health insurance funding that allows coverage for abortions.

Summary of Facts and Assumptions:

The Budget Office assumes this legislation would be effective on July 1, 2022 (FY 2023).

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Medicaid Programs Facts and Assumptions

An average of 73 abortions are financed by Medicaid per year under the current Medicaid policy. The Budget Office assumes this legislation would result in an additional 722 abortions to be financed by Medicaid among an estimated 78,692 eligible maternity-aged (15-44 years old) Medicaid enrollees. The additional take up is based on the 2019 Rhode Island abortion rate of 10.1 per 1,000 females aged 15-44 years, reported by the CDC. While acknowledging that the Medicaid population is not necessarily representative of the general population, the CDC does not stratify rates by insurance coverage. The estimate of maternity-aged females is based on the percentage of females aged 15-44 from September 2019 enrollment, applied to the February Medicaid enrollment report totals for the RIteCare and expansion populations.

Abortion costs vary greatly depending on the circumstances, such as state of pregnancy, location of service (hospital vs. clinic), and whether the procedure was planned or unplanned. This analysis assumes an average cost of $399.40 based on two years of Rhode Island Medicaid claims (2018-2019), with a range from $58.43 to $2,663.19. This does not account for other costs associated with the abortion service, such as lab work or imaging. 722 abortions at an average cost of $399.40 yields average annual increased Medicaid expenditures of $288,367. Adjusted for inflation from FY 2018 to FY 2023 based on CPI-U as adopted in the Consensus Economic Forecast (CEF) in the November 2021 Revenue Estimating Conference (REC), these amounts are adjusted to $452.20 per claim or $326,485.50 in total.

State Employee Insurance Plans Facts and Assumptions

Abortions are a standard covered benefit for Blue Cross Blue Shield of Rhode Island's commercial business. In calendar year 2019 BCBSRI covered 101 elective abortions and 163 non-elective abortions, for a rate of 0.97 and 1.59 per 1,000 enrolled members, respectively. Abortion type is based solely on the associated CPT Code (i.e., missed abortions and septic abortions are non-elective, all other types are induced and therefore considered elective). This estimate assumes non-elective abortions are covered under the current policy and uses the BCBSRI elective abortion rate to project service take up. There would not be any additional administrative charges to the state to add this coverage to the employee health plans, only costs associated with the additional services covered (i.e., elective abortions).

In calendar year 2020 the Rhode Island State Employee Health Plan covered nearly 32,000 members, with approximately 6,500 maternity-aged individuals (proxied using the number of 20-49-year-old female members). The Budget Office assumes a take up of 31 abortions per year, based on the elective abortion rate of .97 per 1,000. The Budget Office applied this rate to the entire covered population to align with the BCBSRI rate among all covered Rhode Island members (converted to the eligible population of 6,500, the abortion rate is 4.77 per 1,000).

In calendar year 2019 the average allowed abortion cost under BCBSRI was $2,075.62. This is the entire cost of the claim, inclusive of all related lab work, imaging, etc., not only the cost associated with the abortion CPT code. This cost is the maximum that the state would be responsible for in any case, as member cost-sharing (deductibles and coinsurance) would likely decrease the State's cost. For example, in cases where a member has not met their deductible or out-of-pocket maximum, there would be a decrease in costs to the State. In cases where a member has met their deductible or out-of-pocket maximum, there would be no member

contribution. Since it is not possible to accurately model member cost-sharing for this service, the Budget Office assumes the maximum potential service cost. 31 abortions at an average cost of $2,075.62 yields average annual increased state employee health insurance expenditures of $64,336, though the direct effect on state employee premiums and the amount paid by the State cannot be determined. Adjusted for inflation from FY 2019 to FY 2023 using CPI-U as adopted at the in the CEF at the November 2021 REC, these amounts are adjusted to $2,302.17 per claim and
$71,358.22 in total.

The full amount would be expended from the internal service fund in the current year, but the impact on premiums charged to state agency employers would occur future years and would be actuarially determined.

Pregnancy Costs Facts and Assumptions
This bill would result in savings to the extent that expanding insurance coverage to include abortions leads to an increase in the number of abortions. For example, this analysis considers that savings may result from avoided costs of insurance-covered pregnancies. In the event that individuals pursuing abortions outside of their current insurance coverage (e.g. self-financed) would now choose to have an insurance-financed abortion, there are no resulting savings because the costs associated with pregnancy are already avoided, regardless of how the abortion is financed. In the event that expanding insurance coverage to abortion leads to an increase in the number of abortions, savings would result from the reduction in insurance-covered pregnancy as the cost of pregnancy generally exceeds the cost of abortion.

The methodology of this fiscal note does not assume an increase in the number of abortions for the Medicaid population. The methodology simply assumes that abortions already occurring in the population are now financed through Medicaid rather than other sources. It is reasonable to assume that expanding access to abortions may lead to an increase in the prevalence of abortions, but the amount of this increase is difficult to determine. A 2009 Guttmacher Institute literature review estimated that about a quarter of individuals with Medicaid coverage that adhered to the Hyde Amendment restrictions were unable to obtain an abortion because they lack insurance coverage for the procedure, based on studies in five states that compared the ratio of abortions to births before and after Medicaid coverage of abortion was restricted. However, this conclusion is based on decades-old data from Georgia, Illinois, North Carolina, Ohio, and Texas. It may not be appropriate to generalize these findings based on the Medicaid population to members in the state employee health plan given that Medicaid is a means-tested program and state employees possess significant employment income.

It is also reasonable to assume that expanding abortion coverage to members in the state employee health plan may result in an increase in abortion prevalence, but it is similarly challenging to estimate the magnitude of this impact. This analysis may implicitly assume some increase in abortion prevalence results from the expansion of coverage. The methodology assumes that the prevalence of insurance-covered abortion among state employee plan members would be comparable to the prevalence in the commercial insurance market. To the extent that coverage of abortion in commercial health care plans leads to increased abortion, an increase in

abortion prevalence is implicitly assumed in this estimate.

The Budget Office gathered cost information which may be illustrative of the of cost pregnancy for both Medicaid enrollees and individuals covered by the state employee health plan. Potential savings may be calculated as the difference between the cost of an abortion and the avoided costs of pregnancy for each population, for those abortions which would not have occurred but for the availability of insurance coverage.

With respect to cost of pregnancy for Medicaid enrollees, the SOBRA rate adopted at the November 2022 Caseload Estimating Conference for FY 2023 is $14,292 all funds per pregnancy. Note that the state general revenue share for RiteCare enrollees is 45.82 percent of total cost and for expansion population is 10 percent of total cost, with the remainder financed with federal funds.

With respect to the cost of pregnancy for individuals covered by the State Employee health plan, the Budget Office calculated a weighted per-pregnancy cost of $12,592 derived from BCBSRI's average cost of cesarean section (C-section) and vaginal deliveries at both Kent Hospital and Women & Infants hospitals in calendar year 2019. The weighted per-pregnancy cost assumes 80 percent of births occur at Women & Infants Hospital, based on their overall share of births in the state. The average also assumes that 31.4 percent of births occur via C-section and the remainder through vaginal pregnancy, based on Rhode Island's 2017 C-section birth rate reported by the Department of Health. This cost is the maximum that the state would be responsible for in any case, as member cost-sharing (deductibles and coinsurance) would likely decrease the State's cost. Adjusted for inflation from FY 2019 to FY 2023 using CPI-U as adopted at the in the CEF at the November 2021 REC, the cost per pregnancy is adjusted to $13,966.41.

Prior fiscal notes issued by the Budget Office have made specific assumptions regarding the reduction in pregnancies resulting from expanded abortion coverage. While acknowledging that some level of savings may result, given the uncertainty with respect to the magnitude of this impact, this fiscal note makes no specific assumption. There would be significant cost savings for each avoided pregnancy, but it is not possible to determine what portion of insurance-covered abortions would have not occurred in the absence of insurance coverage. Furthermore, an assumption that savings would occur is dependent on an increase in abortions which would not have occurred but for the availability of insurance coverage – a precise estimate of this is outside the scope of this fiscal note.

Summary of Fiscal Impact:

The Budget Office cannot estimate the full fiscal impact of this bill. The Budget Office estimates increased expenditures of $326,486 for Medicaid enrollees and increased state employee health insurance expenditures of $71,358 per year (the latter does not directly correlate to State general fund expenditures) but cannot estimate the expenditure savings from avoided pregnancy costs.

Budget Office Signature:

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Fiscal Advisor Signature:

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