LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 4935

STATE OF NEW JERSEY
218th LEGISLATURE

DATED: MARCH 29, 2019

SUMMARY

Synopsis:	Prohibits health benefits coverage for certain non-medically indicated early elective deliveries under Medicaid program, SHBP, and SEHBP.
Type of Impact:	Reduction in General Fund Expenditures for the State Health Benefits Program and School Employees' Health Benefits Program.
Agencies Affected:	Division of Pensions and Benefits in the Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	Year 1	Year 2	Year 3
State Cost - Medicaid		Indeterminate	
SHBP/SEHBP State and Local		$500,000 to $1,500,000*	

* Horizon only

- The provisions of this bill will result in health benefit cost reductions within the Medicaid Program, the State Health Benefits Program, and the School Employees' Health Benefits Program. Under the bill, certain non-medically indicated early elective deliveries will no longer be covered under these programs.

- Because medical costs are higher for cesarean deliveries than vaginal deliveries, certain savings will be realized. However the savings cannot be quantified with any certainty as 1) the actual cost for these services is unknown and 2) the number of individuals who would no longer have an early elective caesarian delivery is unpredictable.

Medicaid

- According to the Medicare Economic Index, in 2015, commercial insurers incurred costs of $18,961 for vaginal births and $28,826 for cesarean births, while Medicaid programs paid $9,446 and $14,058, respectively. Furthermore, according to the New Jersey State Health

Assessment Data website, in CY 2017, there were 2,269 caesarian section deliveries to low-risk mothers within the Medicaid Program.

- If all caesarian section deliveries to low-risk mothers within the Medicaid Program were instead vaginal deliveries, the savings to the State and federal government would be $10.5 million. The State share would depend on the Medicaid beneficiary's eligibility pathway and the corresponding federal Medicaid matching rate.

SHBP/SEHBP

- According to the Division of Pensions and Benefits, informally, Horizon a plan administrator, estimates that the State Health Benefits Program (SHBP)-State and Local plans and the School Employees' Health Benefits Program (SEHBP) plans would experience a reduction of $500,000 to $1.5 million combined if this bill were enacted. Estimates by Aetna, which also administers plans in the SHBP and SEHBP, were not available.

BILL DESCRIPTION

This bill prohibits the health benefits coverage of certain non-medically indicated early elective deliveries under the Medicaid Program, the State Health Benefits Program (SHBP), and the School Employees' Health Benefits Program (SEHBP). Specifically, this bill prohibits health benefits contracts which are issued or purchased pursuant to the SHBP, SEHBP, and the Medicaid Program, as well as services purchased under the fee-for-service delivery system within the Medicaid Program, from providing health benefits coverage or reimbursing a provider for a non-medically indicated early elective delivery performed at a hospital on a pregnant woman earlier than the 39th week of gestation.

As used in the bill, "non-medically indicated early elective delivery" means the artificial start of the birth process through medical interventions or other methods, also known as labor induction, or the surgical delivery of a baby via a cesarean section for purposes or reasons that are not fully consistent with established standards of clinical care as provided by the American College of Obstetricians and Gynecologists (ACOG).

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The provisions of this bill will result in health benefit cost reductions within the Medicaid Program, the State Health Benefits Program, and the School Employees' Health Benefits Program. Under the bill, early elective deliveries (EEDs) will no longer be covered by these programs. However the savings cannot be quantified with any certainty as 1) the actual cost for these services is unknown and 2) the number of individuals who would no longer have an early elective delivery is unpredictable.

Medicaid

According to the Medicare Economic Index, in 2015, commercial insurers incurred costs of $18,961 for vaginal births and $28,826 for cesarean births, while Medicaid programs paid $9,446 and $14,058 respectively. Furthermore, according to the New Jersey State Health Assessment Data website, in CY 2017, there were 2,269 caesarian section deliveries to low-risk mothers within the Medicaid Program. Using this data, if all caesarian section deliveries to low-risk mothers within the Medicaid Program were instead vaginal deliveries, the savings to the State and federal government would be $10.5 million. The State share would depend on the Medicaid beneficiary's eligibility pathway and the corresponding federal Medicaid matching rate.

In addition, studies suggest that the elimination of early elective deliveries results in neonatal intensive care unit (NICU) savings by reducing the incidence of admission to the NICU; and for those admitted to the NICU, it reduces length of stay. As such, there may be additional indeterminate savings under the bill within the Medicaid program. For example, a statewide efficiency report for Kansas estimates that that state could save $1.8 million by reducing the number of early births Medicaid would pay for in fiscal year 2017 by 800. Of the $1.8 million, $1.535 million would come from reduced Medicaid payments for early elective births and $265,000 in savings from reduced neonatal intensive care unit payments.

SHBP/SEHBP

According to the Division of Pensions and Benefits, informally, Horizon estimates that the SHBP-State and Local and the SEHBP plans would experience a reduction of $500,000 to $1.5 million if this bill were enacted. This translates to reduction in the number of EEDs in the SHBP between a range of at least 17 EEDs per year if all EEDs are Caesarian births and at most 100 if all EEDs are vaginal births, and an average of 44 births if the EEDs are both equally divided between Caesarian and vaginal births. Using the Kansas metrics and applying them to the SHBP, at the low range of $500,000 in savings, $426,400 would come from reduced EEDs and $73,600 would come from reduced neonatal intensive care unit payments. At the high range of $1.5 million in savings, $1.279 million would come from reduced EEDs and $220,800 would come from reduced neonatal intensive care unit payments.

The Aetna provider contract for the SHBP and SEHBP is based on a blended case rate which includes rates for EEDs, but these rates, like other rates for other services are embedded in the blended case rate and cannot be identified. Therefore, an estimate for Aetna cannot be determined. In terms of plan distribution between Aetna and Horizon for plan year 2019, Aetna plans account for approximately 20 percent of the SHBP-State plans, 18 percent of SHBP-Local plans, and 9 percent of SEHBP plans.

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).