

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 473** SLS 16RS 1993
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action: **w/ HSE FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.: SB 362

Date: June 1, 2016 12:32 PM	Author: JOHNS
Dept./Agy.: DHH	Analyst: Willis Brewer
Subject: Louisiana Health Insurance Premium Payment Program	

MEDICAID EGF DECREASE GF EX See Note Page 1 of 2
 Provides for the Louisiana Health Insurance Premium Payment Program. (gov sig)

Proposed law establishes the Louisiana Health Insurance Premium Payment Program within the Medicaid program to assist with employer sponsored insurance coverage. Proposed law excludes this population from Bayou Health.

Proposed law provides rule making authority for DHH and provides for an annual report by January 15 each year which includes (1) the total number of enrollees, (2) total premiums paid, and (3) description of algorithm to determine cost benefit of utilizing this program.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed law is anticipated to reduce total DHH net expenditures by \$712,000 in FY 17 and by \$911,500 in subsequent years. This estimate is based on historical enrollment and cost data from FY 11 - FY 14 before the LaHIPP program was terminated. The Louisiana Health Insurance Premium Payment Program (LaHIPP) was designed as a cost saving measure within Medicaid. LaHIPP pays employed Medicaid individuals' Employer Sponsored Insurance (ESI) premiums if the private insurance premium cost is less than what it would be for Medicaid to pay for the person's medical costs. Therefore, the cost avoidance/savings from LaHIPP is equal to the Medicaid cost that would have been paid less the cost to pay for an Employer Sponsored Insurance inclusive of Medicaid wrap services (Medicaid services not covered by the ESI).

Based on historical case data over a four-year period (FY 11- FY 14), the fiscal note assumes approximately 2,863 cases (households) would qualify for LaHIPP. Using DHH data from FY 11 through FY 14, the historical average Medicaid cost for LaHIPP eligible individuals is \$9,797,000 or \$3,422 per household. DHH reports that the historical average cost to pay for an employer sponsored insurance, ESI, is \$5,622,000 (or \$1,964 per case) and the average cost for Medicaid services historically not covered under an ESI is \$2,811,000 (\$982 per case). The average annual Medical Vendor Payment (MVP) cost avoidance or savings for the last four years equals \$1,364,000 (\$514,00 SGF; \$850,000 Federal) or \$476 per case/household.

Any savings are anticipated to be offset with administrative costs associated with operating the program. DHH anticipates approximately \$652,000 in additional related Medical Vendor Administration (MVA) expenditures in FY 17 and \$452,500 in subsequent years. Prior to 2010, DHH administered the LaHIPP program using its internal eligibility vendor system. Due to budget and staff reductions, DHH outsourced the LaHIPP program administration to their third-party liability (TPL) vendor, HMS. After the contract with HMS expired (December 2014), DHH was unable to find a TPL vendor replacement and was unable to absorb these responsibilities using internal staff and resources. The program was eliminated in FY 15.

Continued on page 2.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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|---|--|--------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

In order to resume the LaHIPP program, DHH anticipates it will require expanding the current contract with the University of New Orleans to add ten contract support staff for IT support (\$370,000, annually), one-time system upgrades to the original IT system DHH used to include LaHIPP eligibility requirements (\$200,000), and adding one DHH program monitor position (\$82,000, annually) that will oversee the program. DHH will survey all Medicaid enrollees (1.4 million) at their annual eligibility redetermination and any new members at the time of their application. As a result, postage costs are assumed to be absorbed with current resources. Therefore, it is anticipated this measure will result in approximately \$712,000 in net savings in FY 17 and approximately \$911,500 in subsequent fiscal year years (or approximately \$318 per case/household).

Further breakdown of LaHIPP Projected Savings/Cost Avoidance

Identified Medicaid households/cases that would be eligible for LaHIPP (four-year average): 2,863

FY 17 - FY 21 Annual Medicaid LaHIPP Cost Savings

	State Match .3774%	Federal Match .6226%	Total
LaHIPP Cost Avoidance	(\$3,697,000)	(\$6,100,000)	(\$9,797,000)
Premiums for Employer Sponsored Insurance	\$2,122,000	\$3,500,000	\$5,622,000
Additional Payments for Medicaid services	\$1,061,000	\$1,750,000	\$2,811,000
Net LaHIPP Savings	(\$514,000)	(\$850,000)	(\$1,364,000)

Estimated FY 17 Administrative Costs

	State Match .5%	Federal Match .5%	Total
Postage for mail-out survey	\$0	\$0	\$0
Staffing (10 UNO contractors)	\$185,000	\$185,000	\$370,000
1 DHH Program Monitor (Sal&Ben.)	\$41,000	\$41,000	\$82,000
Contract - Retrofit system for HIPP eligibility determination (ONE-TIME)	\$100,000	\$100,000	\$200,000
Subtotal Admin	\$326,000	\$326,000	\$652,000
FY 2017 NET SAVINGS	(\$188,000)	(\$524,000)	(\$712,000)

FY 2018-21 Administrative Costs

	State Match .5%	Federal Match .5%	Total
Postage for mail-out survey	\$0	\$0	\$0
Staffing (10 UNO contractors)	\$185,000	\$185,000	\$370,000
1 DHH Program Monitor (Sal&Ben.)	\$41,250	\$41,250	\$82,500
Contract - Retrofit system for HIPP eligibility determination (ONE-TIME)	\$0	\$0	\$0
Subtotal Admin FY18-21	\$226,250	\$226,250	\$452,500
FY 18-21 NET SAVINGS	(\$287,750)	(\$623,750)	(\$911,500)

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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