LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 4** HLS 181ES 76
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: February 21, 2018 10:44 AM
Author: MCFARLAND
Dept./Agy.: LDH/Medicaid
Subject: premiums
Analyst: Shawn Hotstream

MEDICAID OR INCREASE SG RV See Note
Makes Medicaid eligibility for certain enrollees contingent upon premium payments (Item #16)

Proposed law implements premiums for certain Medicaid enrollees. Proposed law provides the secretary to submit a 1115 waiver application with the Centers for Medicare and Medicaid Services (CMS) to institute a demonstration program of Medicaid premiums. The program establishes monthly premium requirements to a health savings account for newly eligible adults with incomes between 100% and 138% of the federal poverty level (and not currently excluded from federal cost sharing provisions). Proposed law provides premiums are a condition of eligibility. Proposed law provides Medicaid enrollees non compliant with premium requirements are subject to penalty provisions of R.S. 46:460.104 for non payment and collection of premiums. Proposed law provides monthly premium amounts will be assessed on a sliding fee scale based on income, determined by the secretary. Proposed law provides in the event enrollees fail to make required premium payments for a period of 60 days, LDH shall terminate eligibility (6 month eligibility lockout), and provide a mechanism by which the enrollee may re enroll upon payment of overdue premiums. Each Medicaid enrollee who has an overdue/unpaid premium shall forfeit any income tax refund in the amount of overdue premiums. LDH shall submit to the office of debt recovery a list of Medicaid enrollees with an overdue or unpaid premium.

EXPENDITURES	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

The net impact of implementing a premium program is indeterminable. Both savings and costs are anticipated as a result of implementing premiums for certain individuals. LDH anticipates approximately 409,000 of the 475,000 expansion enrollees would be subject to premium requirements.

Savings could result if premiums from the health savings accounts are used to offset state match costs, or as a result of a reduction in the Medicaid rolls or reduced benefit packages offered for individuals due to non compliance.

Health Savings Accounts: It is unclear if the premium contribution into the health savings account ultimately belongs to the enrollee or state(Medicaid program), and for what services the contributions will be disbursed. Revenues could be used to purchase value added benefits over an existing benefits offered in Medicaid. However, to the extent state match sources are offset with premium revenues, the state could realize a significant savings.

Non compliance: MCO costs would decrease to the extent there is disenrollment. Information provided by LDH indicates Indiana Medicaid requires premium contributions for certain enrollees. Indiana's non compliance experience is reported to be approximately 2.3% (individuals disenrolled for non payment of premium). As an illustration, based on that percentage, MCO payments could drop by approximately $57 M ($3.7 M based on FY 19 expansion FMAP). Continued page 2

REVENUE EXPLANATION

Requiring monthly premium contributions of certain Medicaid recipients is anticipated to significantly increase revenues of the Louisiana Department of Health. Revenues will be deposited into health savings accounts, presumably in the treasury or a financial institution. It is unclear if the revenue in the accounts are owned by the enrollee, or the state Medicaid program. Proposed legislation implements premium contributions as a condition of Medicaid eligibility for certain Medicaid expansion adults (100% to 138%), and implements premium contributions as a condition of expanded benefits (income below 100% of the FPL). Total annual revenue receipts will ultimately depend on the monthly premium amounts implemented through administrative rule, as the bill authorizes the secretary to establish premium amounts for eligible individuals on a sliding scale based on income.

Current federal regulations cap premiums at 5% of family income (assuming no other cost sharing requirements, as the aggregate limit for both Medicaid premiums and other cost sharing requirements are capped at 5%). As an illustrative example, if a Medicaid recipient at 138% of the federal poverty level ($16,643 family income) is assessed the maximum premium amount (5% of family income), or approximately $832, $69 in monthly premium contributions would be required to be deposited into personal health savings accounts. Note: The state could request to waive the 5% out of pocket cap in the waiver submittal.

Senate Dual Referral Rules

[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

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

House

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

[ ] 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:

Expenditure explanation: Continued from page 1

LDH anticipates the following up front and recurring costs:

Up front costs:
$2,000,000 - Eligibility system (LaMeds) and Medicaid Management Information system (MMIS) upgrades (25% state,75% federal match)
$500,000 - Actuarial and waiver development cost (50% state match, 50% federal match)
Annual costs:
$36,544,500 - OGB contract increase. LDH currently contracts with OGB to bill, collect, and remit premiums for an existing premium program in LDH (Chip V). Contract information indicates LDH reimburses OGB $7.50 per enrollee per month for such service. Annual cost assumes 406,050 expansion enrollees subject to premium (50% state, 50% federal match)
$12,181,500 - 3rd party administrator to manage the health savings accounts, $2.50 per member per month
$1,000,000 - Independent waiver evaluation
$300,000 - Annual actuarial costs (50% state, 50% federal match)
$231,677 - 2 additional staff salary and related benefits (50% state, 50% federal match)

Note: LDH anticipates a net decrease in overall spending by $4.7 M in the first year of implementation, but a net increase in SGF expenditures by $21 M. However, the savings in the analysis do not contemplate the potential for savings associated with the use of the premiums as a state general fund offset for the cost of care, or savings associated with individuals that forgo entering the Medicaid program as a result of the premium requirements. Indiana reports some 46,000 were never enrolled (from February 2015 to November 2016) for failure to pay the first premium. The combination of the two could significantly offset projected general fund costs even further in the out years.

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