

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 334** HLS 18RS 543
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 27, 2018 1:48 PM **Author:** BACALA
Dept./Agy.: LDH/Medicaid **Analyst:** Shawn Hotstream
Subject: MLTSS

MEDICAID OR +\$1,250,000 GF EX See Note Page 1 of 1
 Provides for implementation of a Medicaid managed long-term services and supports system

Proposed law provides that the secretary of the Louisiana Department of Health shall develop and implement a Louisiana Medicaid managed Long Term Services and Supports (MLTSS) program, and submit an application based on the most appropriate managed care authority, to CMS no later than January 1, 2019. The MLTSS program shall be implemented no later than July 1, 2020.

Populations include Medicaid recipients who are elderly or who have adult onset disabilities and who meet the eligibility for and are receiving long term services and supports through a Medicaid state plan or waiver program designed specifically for the population, including but not limited to nursing facilities, home and community based waivers, state plan personal care programs, and dual eligibles. Proposed law establishes a provider reimbursement rate floor at the Medicaid fee for service rate in effect on July 1, 2018. Proposed law provides that the secretary shall select at least two, but no more than three, capitated managed care plans to implement the MLTSS program. Proposed law provides for fiscal and programmatic audits by the legislative auditor at least one year prior to expiration of the MLTSS contract.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$1,250,000	INCREASE	INCREASE	INCREASE	DECREASE	\$1,250,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$1,250,000	INCREASE	INCREASE	INCREASE	INCREASE	\$1,250,000
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$2,500,000					\$2,500,000

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.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

This measure provides for the delivery of Medicaid long term care services and supports for certain individuals through managed care. Currently, long term care services are provided to certain populations through a fee for service model. LDH indicates the fiscal impact of providing long term care services under a managed care model is indeterminable, and will depend on the parameters of the program. Additionally, the department indicates rate setting by the actuary would be required to determine a fiscal impact. Although there is not an actuarially determined Per Member Per Month rate for the purposes of the fiscal note, an analysis is provided using current aggregate spending for the populations subject to managed care under this measure, inflated by an administrative factor (administrative load) anticipated to be added in the premium payments to health plans. Additionally, the analysis factors in premium tax revenues used as a state general fund offset, and a federal health insurers tax anticipated to go into effect in FY 20 which represents a new cost to managed care providers, and the state.

Based on the specific assumptions reflected below, implementation of MLTSS is projected to result in an increase in SGF costs in the first 3 years of implementation, and an overall SGF savings beginning in the 4th year of implementation (FY 23). FY 19 - \$1.25 M cost for actuary contract services. SGF implementation impact(FY 20-23): FY 20 - \$15.5 M SGF cost; FY 21 - \$10.2 M cost; FY 22 - \$4.7 M cost; FY 23 - \$1.5 M savings.

Assumptions:

- 1) 11% MCO administrative load (administrative cost paid to health plans to manage services)
- 2) 5.5% provider tax revenues used to offset the cost of the program (net gain)
- 3) 2.8% federal provider tax (Health Insurance Providers Fee); (net cost)
- 4) 2% of nursing home residents transferred into Community Choices community based waiver
- 5) Loss of nursing home provider tax revenues (\$12.03 per bed day)
- 5) Actuarial cost of rate setting in year FY 19 (\$2.5 M cost)
- 6) MLTSS implementation begins July 1, 2020

REVENUE EXPLANATION

Premium tax revenues are anticipated to increase significantly under this measure. R.S. 22:842 imposes a 5.5% premium tax on insurance premiums related to health. Additionally, to the extent any individuals would transfer from nursing facilities to waiver services under managed care, there would be a loss of provider tax revenues (\$12.08 per bed day).

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 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}

John D. Carpenter
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Legislative Fiscal Officer