

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 728** HLS 18RS 1104
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 10, 2018	8:14 PM	Author: LEGER
Dept./Agy.: LA Dept. of Health		Analyst: Zachary Rau
Subject: Medicaid-Funded Substance Use Disorder Treatment		

HEALTH/BEHAVIORAL OR INCREASE GF EX See Note Page 1 of 1
 Provides relative to standards for Medicaid-funded substance use disorder treatment

Proposed law provides legislative findings concerning the treatment of substance use disorders. Proposed law requires the LA Dept. of Health to establish standards for substance use disorder treatment in the Medicaid managed care program that are consistent with evidence-based practices, and that the standards will include minimum length of stay criteria for residential treatment. Proposed law stipulates that the substance use disorder treatment standards must be reflected in all agreements with the state's managed care organizations.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						
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	\$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

Proposed law will increase SGF expenditures for the LA Dept. of Health (LDH) by an estimated \$244.13 M in FY 19 with a phase-up to approximately \$285.59 M by FY 23. The proposed legislation requires LDH to establish standards for substance use disorder treatment, including minimum length of stay criteria. Furthermore, the additional bed days contemplated by LDH in its cost estimate (see narrative below) are beyond "medically necessary" and therefore ineligible for federal match. As a result, all expenditures associated with proposed law are anticipated to be SGF.

LDH's cost estimate is based on increasing the number of bed days to a minimum of 90 days per the Surgeon's General's report cited in proposed law for the following services and multiplying the additional days by the reported per diem rate to obtain a marginal cost estimate: alcohol and/or drug services - halfway house (approximately 22 days per stay, per diem rate of \$70.30); behavioral health long-term residential (approximately 14 days per stay, per diem rate of \$83.50); alcohol and/or drug treatment program - clinically managed residential programs (approximately 14 days per stay, per diem rate of \$212.47); alcohol and/or drug treatment - medically monitored inpatient programs (approximately 14 days per stay, per diem rate of \$290); and alcohol and/or drug services - acute detox (approximately 4 days per stay, per diem rate of \$290).

Based upon this methodology, LDH anticipates initial expenditures of approximately \$244.13 M in FY 19 with a phase-up to an estimated \$285.59 M by FY 23. LDH has included an inflation factor of 4% associated with expenditures of proposed law. Cost estimates by year are as follows: FY 19 - \$244.13 M; FY 20 - \$253.89 M; FY 21 - \$264.05 M; FY 22 - \$276.61 M; FY 23 - \$285.59 M.

While expenditures associated with proposed law are anticipated to be significant, exact figures are indeterminable and dependent upon a number of factors, such as varying numbers of patient bed days across different substance use disorder treatments and per diem rates.

Note: any cost avoidance associated with reduced treatment for patients with substance use disorders and/or reductions in recidivism and incarceration rates is speculative and indeterminable.

REVENUE EXPLANATION

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

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