

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 307** HLS 15RS 700

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 6, 2015	8:20 AM	<b>Author:</b> JACKSON
<b>Dept./Agy.:</b> Office of Behavioral Health/DHH/OGB/Dept of Insurance		<b>Analyst:</b> Alan M. Boxberger
<b>Subject:</b>		

MENTAL HEALTH

OR INCREASE GF EX See Note

Page 1 of 2

Provides relative to coverage and payment for services rendered to a person admitted under an emergency certificate

Present law provides that a person who is mentally ill or a person who is suffering from substance abuse may be admitted and detained at a treatment facility for observation, diagnosis, and treatment for a period not to exceed 15 days under an emergency certificate, and provides that a person suffering from substance abuse may be detained at a treatment facility for one additional period, not to exceed 15 days, provided that a second emergency certificate is executed. Proposed law prohibits an insurer, including an entity contracted with the state for the provision of Medicaid services and the Office of Group Benefits, from denying payment for services provided to a person admitted under an emergency certificate on the basis of medical necessity.

<b>EXPENDITURES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

The expenditures of the Office of Behavioral Health (OBH) will increase significantly as a result of proposed law through increased claims costs associated with the delivery of mental health services through its contracted provider. The state currently pays a per member per month premium on behalf of individuals receiving mental health services through the state's Statewide Management Organization (SMO). In the near future, these mental health services will be folded into the state's Medicaid and LaChip program administered by Bayou Health.

Medicaid Impact: Based on the assumptions outlined below and on page 2, the potential costs to the state (regardless of administrator) are a minimum of \$1.8M per year (\$670k SGF and \$1.1M Federal Direct under current Medicaid match rates) and likely greater (see # 7 and 8 below). The current contract with the SMO does not permit for payment of services under all circumstances as provided in proposed law. A material change to the service level would require a renegotiation of the per member per month payment to the SMO to cover the additional cost.

OBH's cost estimate is based upon the following assumptions:

- 1) Estimate is based on a sample of adult inpatient psychiatric hospital service requests to acute psychiatric hospitals and distinct part psychiatric units.

**(CONTINUED ON PAGE 2)**

**REVENUE EXPLANATION**

SGR revenues for OGB will increase as a result of this measure to the extent that premiums must increase to offset additional costs, corresponding to any increases in member premiums to cover the anticipated costs. As discussed in the expenditure section of this fiscal note, the potential revenue increase is indeterminable due to OGB's inability to accurately predict the cost increase. Any such increase in necessary revenues would assume a medical loss ratio of 0.85, medical inflation and administrative costs.

Proposed law would result in a SGF revenue increases based on the Louisiana premium tax rate of 2.25% (with an effective tax rate of 0.1125% when allowing for tax offsets in current law). Like OGB, the Louisiana Department of Insurance is unable to predict the cost increase for the insurance market due to a lack of information regarding admissions on an emergency certificate. As such, the potential SGF increase is indeterminable.

- |  |                            |       |  |
|--|----------------------------|-------|--|
| Senate   | <u>Dual Referral Rules</u> | House | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}         |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} |                            |       | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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:**  
**OBH EXPENDITURES CONTINUED**

- 2) Youth and adolescent admissions, 25% of which are by emergency certificate, were excluded because subsequent parent/guardian approval of the admission overrides and negates the emergency certificate.
- 3) A manual audit of 60% of records covering the period of January through March of 2015 was conducted by the SMO revealing that 4% of adult inpatient service requests sampled were denied for lack of medical necessity and half of that number were admitted by emergency certificate.
- 4) Assumes a \$445 per diem rate for qualifying services.
- 5) Assumes 453 annualized denied service requests with an emergency certificate admission (based on manual audit).
- 6) 3,980 annualized denied inpatient days x \$445 per diem rate = \$1,771,100 total annual cost (based on manual audit).
- 7) Emergency certificate admissions to general acute beds (not acute psychiatric or district part psychiatric) are excluded because they cannot be quantified by accessible data at this time, resulting in an understatement of the potential cost by an unknown amount.
- 8) The assumed \$445 per diem rate is a minimum, as select facilities (public private partnership hospitals and rural hospitals) are paid at varying, higher rates, further understating the estimated total cost.

**Office of Group Benefits (OGB)**

OGB anticipates that proposed law will result in a significant but indeterminable increase in expenditures associated with the provision of services provided to OGB members who are admitted to and detained at a treatment facility for mental illness or substance abuse. However, OGB reports that its insurance providers are unable to accurately report potential costs associated with services provided under an emergency certificate as the provider data networks do not flag this information. Proposed law would prohibit OGB from denying payment for services provided to persons admitted to and detained at a treatment facility regardless of the insurer's determination that such treatment is medically unnecessary. Proposed law may also require coverage of the entire billed cost for any number of services provided to a person admitted to and detained at a treatment facility regardless of whether the service is a disallowed expense or out-of-network for the insurer.

An indeterminable SGF appropriation increase will be required to cover the state portion of premiums to cover any increase in cost to the OGB plan of benefits. Based upon the FY16 Executive Budget Document, the SGF portion of any projected expenditure increase would equal 32% of the overall increased cost.

NOTE: Due to provisions of the federal Affordable Care Act (ACA) that require the state to defray the costs of state-mandated benefits in qualified health plans in excess of the essential health benefits, there could be a significant but indeterminable state cost as a result of proposed law. Under the provisions of the ACA, any change to existing health insurance mandates or creation of new mandates after December 2011, the state would be required to pay for those costs outside of the essential health benefits within the health insurance exchange. According to LDI, as of February 2015 there are approximately 186,000 individuals covered through the insurance exchange. Any premium increase within the exchange resulting from proposed law could be ruled a state responsibility if deemed to be an expansion of the essential health benefit by CMS. This could result in an indeterminable increase in SGF expenditures. The LFO is unable to determine which state agency would be required to cover such costs.

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