

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 306** HLS 17RS 1138
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: LDH/Medicaid		Analyst: Shawn Hotstream
Subject: pharmacy reimbursement		

MEDICAID RE INCREASE GF EX See Note Page 1 of 1
 Provides relative to pharmacy reimbursement by managed care organizations

Current law prohibits a managed care organization from paying a local pharmacy a per prescription reimbursement at a rate less than the legacy Medicaid rate unless its contract with LDH provides for a reimbursement dispute process.

Proposed law removes the reimbursement dispute process, requiring managed care organizations to pay a local pharmacy a per prescription reimbursement at a rate equal to the legacy Medicaid rate.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	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						
REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Implementation of a mandatory rate floor at the legacy fee for service rate for pharmacy providers is anticipated to result in an increase in Medicaid managed care premium payments in future fiscal years. Proposed legislation mandates that Healthy Louisiana managed care organizations (MCO's) pay the Medicaid fee for service rate for local pharmacy claims. According to LDH, 4 of the 5 mco health plans have applied the Medicaid fee for service rate methodology to all claims by local pharmacies. However, one MCO plan (Aetna) continues to pay claims based on the plans own reimbursement methodology. Implementation of a mandatory fee for service rate floor has the effect of increasing the reimbursement rate for local pharmacy providers. LDH anticipates this rate increase will result in additional premium costs under this measure.

Based on analysis from LDH's actuary, it is estimated this measure will result in an additional \$337,563 (\$91,000 state match) cost to Medicaid at minimum in FY 18. The analysis compared average claims costs for certain pharmacy claim types (brand, generic, and specialty) under fee for service and under managed care. The additional cost is based on the difference in average claim costs related to Aetna. Note: As a result of this measure eliminating the third party independent review reimbursement appeals process (current law), there is no longer a need for an existing LDH contract to administer the program, resulting in \$52,800 in annual contract cost savings.

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}

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