

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 239** SLS 19RS 1258

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.: **SB 48**

Date: May 7, 2019	1:01 PM	Author: MILLS
Dept./Agy.: LDH/Medicaid		Analyst: Shawn Hotstream
Subject: Medicaid pharmacy services		

MEDICAID EG SEE FISC NOTE GF EX Page 1 of 1
Provides relative to Medicaid pharmacy services. (8/1/19)

Proposed law authorizes the Louisiana Department of Health (LDH) to choose between two separate options in administering the Medicaid prescription drug program. The first option allows LDH to assume direct administrative responsibility for the Medicaid pharmacy program. The second option authorizes LDH to continue to administer the Medicaid pharmacy program through use of one or more Medicaid managed care organization pharmacy benefit managers. If the department continues to administer the program through the use of one or more Medicaid managed care organization pharmacy benefit managers (PBM), the PBM shall be reimbursed a transaction fee only and shall not retain any portion of "spread pricing" or state supplemental rebates. In addition, a Medicaid MCO or Medicaid managed care organization pharmacy benefit manager shall not buy, sell, transfer, or provide Medicaid recipient personal healthcare or contact information to any other party, including subsidiaries of the PBM for purpose of patient steering. In addition, the PBM may not be able to deduct healthcare provider fees or sales taxes from any pharmacist/pharmacy reimbursement. Proposed law requires LDH to develop a comprehensive plan to administer the pharmacy program and submit the plan to the Senate and House committees on Health and Welfare Senate Finance Committee, and Appropriations Committee on February 1, 2020.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

The fiscal impact of this measure will depend on the option LDH chooses to operate the Medicaid pharmacy program. This measure requires the department to either assume direct responsibility for the Medicaid pharmacy program, or to continue to administer the program through the use of one or more Medicaid managed care organization pharmacy benefit managers (PBM's). Based on a potential net cost impact (including the loss of premium tax revenues) associated with operating the program within the department, LDH reports no intent to assume direct administrative responsibility of the Medicaid pharmacy program. This measure further requires LDH to implement a single preferred drug list (PDL) to include include drug classes that are subject to prior authorization. There is no anticipated fiscal impact associated with this provision of the bill as the department implemented a single PDL on May 1, 2019.

Additionally, the bill prohibits any Medicaid managed care organization to use a PBM for Medicaid if the PBM is part of a larger company that also owns retail pharmacies. The department reports 3 of the 5 existing PBM's contracted by the MCO's own retail pharmacies, therefore these MCO's would be required to procure new PBM's that do not own retail pharmacies. LDH assumes no fiscal impact associated with MCO's contracting new PBM's based on costs for the new PBM's being comparable to the costs for current PBM's.

Note: A provision of the bill requires LDH to develop a plan for the administration of the Medicaid pharmacy program, and for reporting requirements. Developing a plan and reporting such plan to various committees are not anticipated to result in a fiscal impact LDH.

REVENUE EXPLANATION

The department reports that the pharmacy program will continue to be operated through the use of one or more Medicaid managed care organization pharmacy benefit managers (PBM's). There is no anticipated direct material effect on governmental revenues as a result of this measure, as this model is not anticipated to result in a loss of premium tax revenues.

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}

Evan Brasseaux

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