

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 859** HLS 24RS 1716

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 3, 2024	2:37 PM	Author: DAVIS
Dept./Agy.: Medicaid		Analyst: Garrett Ordner
Subject: Behavioral Health Managed Care Organization		

HEALTH CARE/PROVIDERS OR INCREASE GF EX See Note Page 1 of 2
Requires request for proposals for a managed care organization to provide specialized behavioral health services

Proposed law requires the Louisiana Department of Health (LDH) to issue an initial request for proposals (RFP) in accordance with applicable law to procure and execute a contract with one statewide Medicaid managed care organization (MCO) or other entity to administer a specialty plan to provide comprehensive integrated health services including but not limited to specialized behavioral health (SBH) services for individuals assessed to have behavioral or substance use health needs beginning and effective statewide on or before January 1, 2026. Proposed law further requires that this RFP shall be issued on or before January 1, 2025.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	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	INCREASE	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						
REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

There will be increased costs to the Louisiana Department of Health (LDH) to conduct a competitive request for proposals (RFP) process and begin utilizing a single managed care organization (MCO) for specialized behavioral health (SBH) services. LDH's contracted actuarial firm, Milliman, is expected to provide the majority of administrative functions associated with the design, procurement, and implementation of the proposed law. Milliman has provided a high-level estimate of \$2.3 M to \$3.1 M total over FYs 25 and 26 to assist in the development of the SBH MCO program and procurement of an SBH MCO. In addition, the Office of Behavioral Health (OBH) estimates it will require \$100,284 in FY 25, \$133,486 in FY 26, \$137,425 in FY 27, and \$35,321 in FY 28 associated with a temporary job appointment of one (1) Program Manager 1-A to act as the project manager for program and RFP development and as a subject matter expert for OBH. These costs are expected to be funded with 50% SGF and 50% federal Medicaid funding.

Note: Proposed law states the MCO will provide services "including but not limited to specialized behavioral health services for individuals assessed to have behavioral or substance use health needs." This fiscal note interprets the proposed law as consolidating existing managed care SBH services under a single MCO. To the extent that this new MCO provides additional services, the Medicaid program may incur additional costs.

EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

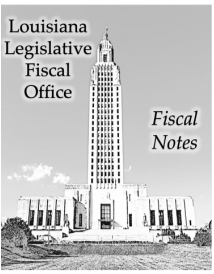
Proposed law may have an indeterminable impact on managed care premium tax revenues to the Medical Assistance Trust Fund (MATF). If proposed law merely shifts SBH costs to the new SBH MCO, premium taxes will remain stable. To the extent the proposed law results in reduced managed care costs, there will be a commensurate decrease in premium tax revenues; conversely, any increase in managed care costs due to the proposed law will increase 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}

Patrice Thomas
Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:
EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

Milliman has provided a high-level estimate of the various costs involved in implementing a standalone SBH MCO program. These costs include: (1) program design, public input, and development of waiver documents for submission to the Centers for Medicare & Medicaid Services (CMS); (2) procurement of an SBH MCO, including drafting an RFP and model contract; (3) program implementation and readiness review; and (4) development of the capitation rates and associated materials for CMS, LDH, and LDH's fiscal intermediary. The cost estimates are shown below:

Task	Low Estimate	High Estimate
Program Design/Waiver Development	\$350,000	\$450,000
SBH MCO Procurement	\$450,000	\$650,000
Implementation and Readiness Review	\$750,000	\$1,000,000
Capitation Rate Development	\$750,000	\$1,000,000
Total	\$2,300,000	\$3,100,000

OBH staff currently act as monitors and subject matter consultants for the behavioral health activities of the Children's Coordinated System of Care (CSoC) program and the Medicaid Healthy Louisiana managed care plans. Because their existing staff will continue to work with these plans during the procurement and implementation of the SBH MCO, OBH reports that it will require a temporary job appointment of a Program Manager 1-A position to act as a project manager and subject matter expert to manage the implementation of the SBH MCO program. The costs associated with this job appointment are shown below:

Year	Months Employed	Salary	Benefits	Operating Expenses	Equipment	Total
FY 25	9	\$63,742	\$31,871	\$1,384	\$3,287	\$100,284
FY 26	12	\$87,539	\$43,770	\$1,778	\$400	\$133,487
FY 27	12	\$90,165	\$45,082	\$1,778	\$400	\$137,425
FY 28	3	\$23,217	\$11,609	\$395	\$100	\$35,321
Total		\$264,663	\$132,332	\$5,335	\$4,187	\$406,517

For informational purposes, LDH estimates that the FY 25 costs to provide behavioral healthcare to managed care members will be approximately \$1.06 B (excluding supplements). Theoretically, the cost to provide these same services under a single SBH MCO may be cost neutral; however, LDH has identified a number of potential sources of increased costs and potential sources of cost savings that may result from the proposed SBH MCO program. Potential sources of increased costs include duplicative administration costs for managing patients separately for physical and behavioral health services; difficulties coordinating care and referring patients from primary care to mental health care; and changes in utilization due to new approaches to care management. Potential sources of cost savings include enhanced management of behavioral health services and the associated administrative savings. The long-term fiscal impact of consolidating SBH services under a single MCO is indeterminable and will depend on what efficiencies or inefficiencies are realized by the SBH MCO.

Senate
Dual Referral Rules
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