

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 393** HLS 13RS 973
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 1, 2013 9:09 AM	Author: ANDERS
Dept./Agy.: DHH Medicaid	Analyst: Shawn Hotstream
Subject: MCO's	

MEDICAID OR +\$7,771,842 GF EX See Note Page 1 of 1

Provides relative to prescription drug benefits of managed care organizations participating in the La. Medicaid coordinated care network program

Proposed law requires all managed care organizations to provide a pharmacy benefit that is developed by a new Medicaid Managed Care Pharmaceutical and Therapeutics Committee within DHH, and provides for membership to the committee.

Proposed law authorizes the committee to establish a drug list to be utilized by all managed care organizations that utilize a prior approval process, and that the prior approval process meet certain minimum criteria.

Proposed law provides that any drug approved by the US Food and Drug Administration shall be added to the formulary as soon as it becomes commercially available.

Proposed legislation provides for prior authorization protocols relative to step therapy/fail first protocols.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$7,771,842	\$6,771,842	\$6,771,842	\$6,771,842	\$6,771,842	\$34,859,210
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$11,663,634	\$10,413,634	\$10,413,634	\$10,413,634	\$10,413,634	\$53,318,170
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$19,435,476	\$17,185,476	\$17,185,476	\$17,185,476	\$17,185,476	\$88,177,380

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	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	\$11,633,634	\$10,413,634	\$10,413,634	\$10,413,634	\$10,413,634	\$53,288,170
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$11,633,634	\$10,413,634	\$10,413,634	\$10,413,634	\$10,413,634	\$53,288,170

EXPENDITURE EXPLANATION

Proposed legislation is anticipated to significantly increase SGF expenditures in FY 14 by the Department of Health and Hospitals as the result of requiring the department to build a second preferred drug list (PDL) or prescription drug benefit for only Medicaid managed care plans (Bayou Health), and requiring additional departmental oversight and monitoring of the Medicaid Managed Care program. Costs are itemized below.

\$15,014,619 - This bill requires the department to create a second preferred drug list (PDL)/formulary for both prepaid and shared savings managed care plans in Bayou Health, and creates a new Pharmaceutical and Therapeutics Committee (P & T Committee) within DHH. The formulary must include all FDA approved drugs as soon as commercially available. The P&T committee must review all drugs within 90 days of commercial availability. Drugs will be exempt from the prior authorization process subject to P & T approval. Mercer, DHH managed care actuary, estimates the single formulary (PDL) will cost an additional \$2.74 per member per month, or \$15 M annually in additional premiums for approximately 456,000 prepaid health plan members. Information received from the department indicates the health plans would no longer be able to negotiate their own discounts and rebates for their own formularies, and the requirement to reimburse all Medicaid covered pharmacy services will increase claims payment costs.

\$2,220,857 - Projected funding for 20 additional staff to provide management, oversight, and monitoring of the Medicaid managed care program. Medicaid will be required to ensure prepaid health plans pharmacy benefit management programs are in compliance with the newly created formulary.

\$200,000 - DHH is projected to incur additional one time expenses related to actuarial services to set rates based on new formulary/PDL. claims payment system changes related to rate setting and risk adjustment.

\$2,000,000 - DHH's fiscal intermediary (Molina) is projected to incur one time expenses for claims payment system changes for FY 14 only.

One time expenses related to actuary services, Molina (state's fiscal intermediary), and equipment are not included in outyear cost.

Note: The match rate is based on a 50% federal financial participation for administrative match on personnel and contracted services, and a 62.96% federal match for any additional pmpm payments as a result of this measure.

REVENUE EXPLANATION

Federal revenues reflected in the revenue table above is based on a 50% federal financial participation for administrative match on personnel and contracted services, and a 62.96% federal match for any additional pmpm payments as a result of this measure.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {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}

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