

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Date: May 7, 2013 12:48 PM	Author: ANDERS
Dept./Agy.: DHH Medicaid	Analyst: Shawn Hotstream
Subject: MCO's	

MEDICAID EG INCREASE 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 utilize a two page prior authorization form. The department shall promulgate rules and regulations prior to January 1,2014, that establishes the form.

Proposed law requires each prepaid network form a Pharmaceutical and Therapeutics Committee to develop a drug formulary and preferred drug list for the prepaid network, and requires the committees to hold designated open meetings annually.

Proposed law requires for exemptions to step therapy/fail first protocols (prior authorization protocols) for managed care organizations.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	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	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						

EXPENDITURE EXPLANATION

Health plans are allowed to implement step therapy or fail first protocols to first drive utilization toward the most cost-effective and safest drug therapy. The protocols apply to either individual drugs or drug classes. Currently, the plan has to provide a process for a provider to request an override. The health plan must, at a minimum, allow an override when the prescribing physician provides evidence that the preferred plan treatment therapy has been ineffective for the patient in the past (could cause adverse reaction or physical harm to the patient). This measure requires plans to allow another pathway in which a physician may override step therapy/fail first protocols. Requiring all Medicaid managed care organizations to add another pathway in which a physician may override step therapy protocols without evidencing that the plan member has tried plan preferred therapies may increase medical costs of the health plans by an indeterminable amount. Information provided by the health plans to the Department of Health and Hospitals indicates costs are projected to increase between 1% and 10%. As an illustrative example, a 1% increase in pharmacy costs would result in additional plan costs of \$4 M. The fiscal note assumes these cost will be passed on to DHH in the form of increased per member per month (PMPM) payments. This is based on DHH requirements to pay Bayou Health prepaid plans an actuarially sound rate reflective of health plan expenses. DHH contracted actuaries provide DHH with a certified rate range, from which DHH chooses where within the range to set plan rates. Any changes in the plan costs are anticipated to increase (or bump) the rate range.

In addition, each MCO is anticipated to incur some administrative costs, as this measure requires each Prepaid Plan to form a Pharmaceutical and Therapeutics Committee which shall meet in public no less frequently than semiannually in Baton Rouge, Louisiana. Administrative costs include travel for committee members, and committee meeting requirements such as meeting space. Any plan costs are assumed to be passed on to DHH in the form of increased PMPM payments to the plans, as PMPM's include administrative costs.

REVENUE EXPLANATION

The revenue table above reflects any increase in federal financial participation

<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}	

John D. Carpenter
 Legislative Fiscal Officer