

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 170** SLS 15RS 537
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|---|---------------------------------|
| Date: April 21, 2015 10:48 AM | Author: KOSTELKA |
| Dept./Agy.: DHH/Medicaid | Analyst: Shawn Hotstream |
| Subject: Prescriptions for Long Term Care Patients | |

MEDICAID OR INCREASE GF EX See Note Page 1 of 1
 Provides relative to Medicaid managed care. (gov sig)

Proposed law prohibits the Department of Health and Hospitals from placing a limit on the number of prescriptions available to residents of long term care facilities as defined in the Social Security Act. In addition, any managed care organization or prepaid coordinated care organization that contracts with DHH shall be prohibited from establishing or enforcing any limit on the number of prescriptions available to residents of long term care facilities.

Proposed law requires DHH to ensure that the dispensing fee paid by a managed care organization and a prepaid coordinated care organization related to prescriptions provided to patients in long term care facilities are set based on data specific to the costs incurred by such pharmacies in filling such prescriptions, and the amounts of dispensing fees take into account the unique requirements of servicing those patients and the associated costs.

| EXPENDITURES | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 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 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 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

To the extent DHH transitions certain long term care populations to managed care, the proposed law is anticipated to increase costs in Medicaid by an indeterminable amount due to increased dispensing fee costs paid to pharmacist associated with filling prescriptions for long term care recipients. Managed care companies (MCO) are anticipated to incur and be reimbursed for additional costs associated with pharmacy dispensing fee expenditures.

The fiscal note assumes a fiscal impact based on a Cost of Dispensing Survey of pharmacy expenditures in Louisiana conducted by Myers and Stauffer. The survey indicated that certain pharmacies (those that reported 25% or more of dispensed prescriptions for long term care facilities) have an estimated 7.5% higher dispensing cost than other retail pharmacies. Additional costs are associated with packaging, time, and delivery. Information provided by the department indicates dispensing fees are not targeted to certain populations, and are based on an average cost of dispensing. This bill requires DHH to ensure that dispensing fees paid by a managed care organization for patients in long term care facilities are set based on data specific to the costs incurred by pharmacies filling such prescriptions. As an illustrative example, a 7.5% increase on the current dispensing fee for this population (from \$10.51 to \$11.30) would result in an increase of \$348,722 based on a 12 month claim count for long term care recipients. However, the exact increase is unknown as there is no long term care MCO contract in place that indicates the dispensing fee for this population.

According to DHH, Long Term Care recipients are projected to be moved into managed care beginning January of 2016. To the extent DHH moves this population into managed care, pharmacy dispensing fee expenditures are projected to increase as a result of this measure. Total FY 16 impact will depend on the timing of the transition of this population from Fee For Service Legacy Medicaid to managed care.

Note: A provision of this measure that prohibits DHH from placing any limit on the number of prescriptions available to residents of long term care facilities in fee for service, or prohibits any managed care organization or prepaid coordinated care organization contracted with DHH from enforcing any prescription limit available to such residents is not anticipated to impact expenditures of the department. Recipients residing in long term care facilities are exempt from monthly prescription limits.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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| Senate | Dual Referral Rules | House | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | John D. Carpenter Legislative Fiscal Officer |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & 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} | | |