LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 163** SLS 15RS 527
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 5, 2015 11:23 AM
Author: MILLS
Dept./Agy.: DHH/Medicaid
Subject: Pharmacy reimbursement
Analyst: Shawn Hotstream

MEDICAID OR +$2,441,452 GF EX See Note

Provides relative to Medicaid managed care. (gov sig)

Proposed law provides for the class of pharmacies with fewer than 15 retail outlets under its corporate umbrella in Louisiana, the managed care organization shall pay a per-prescription reimbursement at a rate no less than the published Medicaid fee-for-service reimbursement rate for the combination of the ingredient cost and dispensing fee in use for the current approved Medicaid state plan in effect on the date of service unless the department has granted an exception for a provider initiated alternative payment arrangement.

EXPENDITURES	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**5 -YEAR TOTAL**
State Gen. Fd.	$2,441,452	$2,592,265	$2,758,766	$2,932,569	$2,943,916	**$13,668,968**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$4,012,296	$4,268,069	$4,533,769	$4,819,396	$5,296,423	**$22,929,953**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$6,453,748**	**$6,860,334**	**$7,292,535**	**$7,751,965**	**$8,240,339**	**$36,598,921**

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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

Proposed law is projected to increase Medicaid payments to managed care organizations as the health plans will be required to pay certain pharmacies (independent retail pharmacies operating under corporate umbrellas with fewer than 15 Louisiana locations) at or above current fee-for-service rates. Estimates provided by Mercer (DHH rate actuary) and DHH indicate a fiscal impact totaling $6,453,748 in additional Medicaid costs in FY 16 as a result of this measure. Table 1 and 2 below together reflect the total impact in FY 16.

Pharmacy claims impact (excluding Hemophilia): $4,440,000

Table 1

Claim Type	Claim Count	Original Avg. Claim Cost (FFS and MCO)	Original Paid Amount	Revised Avg. Claim Cost (FFS methodology)	Revised Paid Amount	Estimated Cost/(Savings)
Brand	243,360	$270	$65,800,000	$278	$67,640,000	$1,840,000
Generic	1,370,912	$27	$37,280,000	$29	$39,320,000	$2,040,000
Specialty	45,544	$1,634	$74,440,000	$1,646	$75,000,000	$560,000
TOTAL	1,659,816	$107	$177,520,000	$110	$181,960,000	**$4,440,000**

Assumptions/calculations:

1. Results based on analysis of third quarter of 2013 claims data, annualized
2. Original paid amount in table above includes both Fee for Service claims cost and Managed Care claims cost.
3. Revised claim cost assumes what amount would have been paid under Fee for Service methodology. Mercer applied Fee for Service payment based on claim type (Brand, Generic, Specialty), average claim costs under this measure would be approximately $3 higher per claim.
4. Hemophilia products impact excluded (not reflected in table 1 above, separately reflected in table 2 on page 2) Total fiscal impact include pharmacy impact of table 1 and 2 Average claim cost rounded

See page 2

REVENUE EXPLANATION

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

Senate Dual Referral Rules House

[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

[ ] 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}

[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
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CONTINUED EXPLANATION from page one:

Expenditure explanation: continued

5. Fee for Service Reimbursement methodology maximum allowable payment is based on the lessor of:
   The pharmacy's Usual and Customary (U&C) charge minus a Copay, or:
   Average Acquisition Cost (AAC) + $10.51 Dispensing Fee (DF) minus a Copay, or:
   If no AAC, Wholesale Acquisition Cost (WAC) + $10.51 Dispensing Fee minus a Copay

Hemophilia products impact: **$2,013,748**
Table 2

Program Type	Claim Count	Paid Amount	Paid Per Claim	Recipients
Fee for Service	152	$4,132,056.70	$27,184.58	51
Managed Care Org.	119	$2,731,527.16	$22,954.01	38
Difference			**$4,230.57**	

Assumptions/calculations:

1. Results based on analysis of first quarter (7/1/14 to 9/30/14), annualized
2. Calculation based on the following:

$4,230 - Difference in Average pay per claim MCO vs. Fee for Service
$503,437 - Quarterly increase in cost of paying for these drugs under Fee for Service ($4,230 x 119/MCO claim count)
$2,013,748 - Annualized increase in cost of paying for these drugs under Fee for Service ($503,437 x 4 quarters)

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