

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 307** HLS 15RS 700
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 12, 2015 8:14 AM **Author:** JACKSON
Dept./Agy.: Office of Behavioral Health/DHH/OGB/Dept of Insurance **Analyst:** Alan M. Boxberger
Subject:

MENTAL HEALTH EG INCREASE GF EX See Note Page 1 of 2
 Provides relative to coverage and payment for services rendered to a person admitted under an emergency certificate

Present law provides that a person who is mentally ill or a person who is suffering from substance abuse may be admitted and detained at a treatment facility for observation, diagnosis, and treatment for a period not to exceed 15 days under an emergency certificate, and provides that a person suffering from substance abuse may be detained at a treatment facility for one additional period, not to exceed 15 days, provided that a second emergency certificate is executed. Proposed law prohibits an insurer, including an entity contracted with the state for the provision of Medicaid services and the Office of Group Benefits, from denying payment for inpatient behavioral health services provided to a person admitted under an emergency certificate on the basis of medical necessity, if certain conditions are met; provides that after psychiatric evaluation, payment of claims shall be determined by medical necessity; provides for certain definitions; and provides that nothing in proposed law shall be construed or interpreted to require payment of claims in a manner other than in accordance with the terms and conditions of the health insurance contract.

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.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

EXPENDITURE EXPLANATION

Medicaid Impact: Based on the assumptions outlined below and on page 2, the potential costs to the state (regardless of administrator) are a minimum of approximately \$202,000 per year (\$76k SGF and \$126k Federal Direct under current Medicaid match rates) and likely greater (see numbers 7 and 8 below). The current contract with the Statewide Management Organization does not permit for payment of services under all circumstances as provided in proposed law. A material change to the service level would require a renegotiation of the per member per month payment to the SMO to cover the additional cost.

OBH's cost estimate is based upon the following assumptions:

- 1) Estimate is based on a sample of adult inpatient psychiatric hospital service requests to acute psychiatric hospitals and distinct part psychiatric units.
- 2) Youth and adolescent admissions, 25% of which are by emergency certificate, were excluded because subsequent parent/guardian approval of the admission overrides and negates the emergency certificate.
- 3) A manual audit of 60% of records covering the period of January through March of 2015 was conducted by the SMO revealing that 4% of adult inpatient service requests sampled were denied for lack of medical necessity and half of that number were admitted by emergency certificate.
- 4) Assumes a \$445 per diem rate for qualifying services.
- 5) Assumes 453 annualized denied service requests with an emergency certificate admission (based on manual audit).
- 6) Assumes psychiatric evaluation completed within 24 hours.
- 7) 453 annualized denied inpatient days x \$445 per diem rate = \$201,585 total annual cost (based on manual audit).
- 8) Emergency certificate admissions to general acute beds (not acute psychiatric or district part psychiatric) are excluded because they cannot be quantified by accessible data at this time, resulting in an understatement of the potential cost by an unknown amount.
- 9) The assumed \$445 per diem rate is a minimum, as select facilities (public private partnership hospitals and rural hospitals) are paid at varying, higher rates, further understating the estimated total cost.

(CONTINUED ON PAGE 2)

REVENUE EXPLANATION

Proposed law would result in a SGF revenue increases based on the Louisiana premium tax rate of 2.25% (with an effective tax rate of 0.1125% when allowing for tax offsets in current law). The Louisiana Department of Insurance is unable to predict the cost increase for the insurance market due to a lack of information regarding admissions on an emergency certificate but projects such increase to not exceed \$1 to \$2 annually per policy. The potential SGF increase is indeterminable and not likely significant.

- Senate Dual Referral Rules House 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

Office of Group Benefits (OGB)

OGB anticipates that proposed law will not result in a significant change in expenditures.

NOTE: Due to provisions of the federal Affordable Care Act (ACA) that require the state to defray the costs of state-mandated benefits in qualified health plans in excess of the essential health benefits, there could be an increase in state cost as a result of proposed law. Under the provisions of the ACA, any change to existing health insurance mandates or creation of new mandates after December 2011, the state would be required to pay for those costs outside of the essential health benefits within the health insurance exchange. According to LDI, as of February 2015 there are approximately 186,000 individuals covered through the insurance exchange. Any premium increase within the exchange resulting from proposed law could be ruled a state responsibility if deemed to be an expansion of the essential health benefit by CMS. This could result in an indeterminable, but likely insignificant increase in SGF expenditures. The LFO is unable to determine which state agency would be required to cover such costs.

Senate

Dual Referral Rules

House

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

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