

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 492** HLS 16RS 1219
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 5, 2016	1:52 PM	Author: MCFARLAND
Dept./Agy.: DHH/Medicaid		Analyst: Shawn Hotstream
Subject: copayments		

MEDICAID OR -\$2,050,844 GF EX See Note Page 1 of 2
 Authorizes the collection of certain copayments in the medical assistance program

Proposed law authorizes DHH to establish a copayment requirement in the Medicaid program (including all capitated Medicaid managed care programs), for non emergency services provided by a hospital emergency department.

In addition, proposed law authorizes DHH to establish a copayment for all nonpreferred drugs (on all individuals upon whom cost sharing for nonpreferred drugs may be imposed under federal regulations).

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	(\$2,050,844)	(\$2,050,844)	(\$2,050,844)	(\$2,050,844)	(\$2,050,844)	(\$10,254,220)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	(\$3,383,296)	(\$3,383,296)	(\$3,383,296)	(\$3,383,296)	(\$3,383,296)	(\$16,916,480)
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$5,434,140)	(\$5,434,140)	(\$5,434,140)	(\$5,434,140)	(\$5,434,140)	(\$27,170,700)

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	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	(\$3,383,296)	(\$3,383,296)	(\$3,383,296)	(\$3,383,296)	(\$3,383,296)	(\$16,916,480)
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$3,383,296)	(\$3,383,296)	(\$3,383,296)	(\$3,383,296)	(\$3,383,296)	(\$16,916,480)

EXPENDITURE EXPLANATION

Proposed law authorizes DHH to impose cost sharing for both the use of non preferred drugs and for non emergency services furnished in a hospital emergency department. Cost sharing requires certain Medicaid enrollees to make a contribution toward the cost of a Medicaid covered health service. The fiscal note anticipates a reduction in Medicaid expenditures by implementing copayments up to the maximum allowed (\$8) under federal regulation for non emergency services furnished in an emergency room and copayments for use of all non preferred drugs. The state determines which drugs are preferred and which are non preferred in fee for service. Currently, MCO's determine which drugs are preferred and non preferred for managed care populations. Savings are generated as a result of reducing payments to providers by the copayment amount paid by the enrollee to the provider (cost avoidance). To the extent DHH imposes copayments up to the maximum amount, total payment savings in FY 17 from max allowable copays on non emergency ER use and non preferred drugs is approximately \$5.4 M. See illustration A for ER copay estimate and Illustration B for nonpreferred drugs copay estimate.

Illustration A:
2015 ER Visit Services for Non-Emergency Services

Low Acuity Level	ER visits	Copay	Cost avoidance
Level I	33,288	\$8	(\$266,304)
Level II	98,187	\$8	(\$785,496)
	131,475		(\$1,051,800)

Illustration B:

Enrollment count (net of excluded populations)	Copay per recipient	Cost avoidance
1,005,871	\$4.36	(\$4,382,340)

See page 2

REVENUE EXPLANATION

Reductions in Medicaid payments result in a corresponding reduction in federal matching funds. The revenue table above reflects a projected loss of federal matching funds.

- | | | |
|---|----------------------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {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} |

John D. Carpenter
Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

Note: The copay amount authorized by this bill for non preferred drugs is \$8. However, the projected cost avoidance contemplated in this bill is based on an average copay per recipient of \$4.36 in order to reflect a net savings estimated related to non preferred drug copayments. A net savings is anticipated due to DHH currently applying copay requirements in the Medicaid program. Current pharmacy copayments are based on the cost of the drug (amount DHH reimburses for pharmacy claim). The bill assumes both copayment requirements will be in rule.

Note: CMS rules provide that total premiums and cost sharing may not exceed an aggregate limit of 5% of a family's income. Additional administrative costs are anticipated associated with tracking each Medicaid beneficiaries incomes, to ensure out of pocket costs do not exceed limits in federal law. DHH intends this administrative duty would be the responsibility of the Bayou Health plans. Additional administrative costs of an indeterminable amount would be incurred by the plans (until determined by the rate actuary), and reflected as an increase adjustment in managed care per member per month premiums. DHH anticipates a nominal increase in the PMPM for this new administrative function. Any new administrative costs would net against savings reflected in the Expenditure table above.

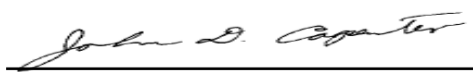
Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

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



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