

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 487** HLS 16RS 1234
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: April 13, 2016 1:16 PM	Author: JOHNSON, R.
Dept./Agy.: DHH/Medicaid	Analyst: Shawn Hotstream
Subject: prescription drug reimbursement	

MEDICAID OR INCREASE GF EX See Note Page 1 of 2
 Provides relative to reimbursements by Medicaid managed care organizations for prescription drugs

Proposed law provides that the base of reimbursement for Bayou Health payments for prescription drugs shall be not less than the Medicaid reimbursement, unless the provider and Bayou Health plan have a national agreement for other pricing schedules.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

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	\$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 establishes a rate floor (pricing schedule under fee for service) to be paid by Medicaid Managed Care Organizations (MCO) for claims dispensed by pharmacy providers. Based on a comparison of historical fee for service and MCO pharmacy claims data, proposed law is projected to increase Medicaid payments to managed care organizations in future fiscal years by an indeterminable amount as the health plans may be required to pay certain pharmacies (independent pharmacies) at a rate no less than the Legacy Fee for Service Medicaid rate.

Estimates provided by Mercer (DHH rate actuary) indicate a projected fiscal impact totaling \$7,960,000 in additional Medicaid costs as a result of this measure. Table 1 below reflects the total estimated impact for FY 17.

Table 1
Pharmacy claims impact

Claim Type	Claim Count	FFS and MCO Original Spend	Original Avg Claims Cost	Estimated new Avg Claim Cost	Estimated New Spend	Estimated Annual Cost
Brand	68,000	\$18,260,000	\$266.55	\$271.40	\$18,590,000	\$330,000
Generic	425,000	\$11,440,000	\$26.94	\$30.39	\$12,910,000	\$1,470,000
Specialty	9,000	\$18,400,000	\$2,034.62	\$2,049.47	\$18,540,000	\$140,000
Unknown	10,000	\$490,000	\$47.10	\$52.46	\$540,000	\$50,000
Quarter	512,000	\$48,590,000	\$94.90	\$98.79	\$50,580,000	\$1,990,000
Ann. Total	2,048,000	\$194,360,000	\$94.90	\$98.79	\$202,320,000	\$7,960,000

REVENUE EXPLANATION

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

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

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

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Expenditure explanation: continued

Assumptions/calculations:

1. Results based on analysis of third quarter of 2014 (sample period) claims data, annualized
2. Estimate based on estimated count of independent pharmacies and Medicaid enrollment count in 2014
3. The impact is based on the assumption that Fee For Service pricing will serve as the level of reimbursement to independent pharmacies (non chain).
4. Original Spend in table above reflects Managed Care claims payments and Fee for Services payments (rounded)
5. Mercer calculated average claim cost for the sample period for brand, generic, specialty, and other/unknown category (included both Fee for Service and MCO pharmacy claims), and compares this average to an estimated new claims cost average (Estimated new average claim cost re-prices original spend for same utilization at fee for service reimbursement schedule. Estimated new spend assumes what amount would have been paid by MCO under Fee for Service methodology.

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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