

Office of the Governor  
State of Louisiana

JOHN BEL EDWARDS  
GOVERNOR



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June 18, 2018

**VIA HAND DELIVERY**

Honorable Taylor F. Barras  
Speaker of the House  
Louisiana House of Representatives  
Post Office Box 94062  
Baton Rouge, Louisiana 70804-9062

Honorable John A. Alario, Jr.  
Louisiana Senate President  
Louisiana Senate  
Post Office Box 94183  
Baton Rouge, Louisiana 70804

RE: Line item veto of House Bill 1 of the 2018 Second Extraordinary Session

Dear Speaker Barras and President Alario:

I have signed House Bill 1 of the 2018 Second Extraordinary Session. However, I have exercised my line item veto authority granted to me by La. Const. Art. IV, Section 5(G)(1) to veto one item. I have exercised my line item veto authority as follows:

**Veto No. 1: Delete Lines 36-54 on Page 84 of 194:** This provision is an attempt to improperly enact substantive law in House Bill 1. Further, this provision may cause compliance issues with the Center for Medicare and Medicaid Services (CMS). In accordance with the Code of Federal Regulations, specifically 42 CFR 438.4 and 438.5, the formulation and certification of Medicaid Managed Care PMPM rates must follow a specific process including, but not limited to, adhering to Generally Accepted Actuarial Principles. Failure to follow this process could lead to failure of rates being certified and eventually approved by CMS.

Enclosed is a copy of the signed version of House Bill 1. I have sent the original to the Secretary of State.

Sincerely,

Handwritten signature of John Bel Edwards in black ink.  
John Bel Edwards  
Governor

JUN 18 2018  
Rec'd & Read by Title  
Lies Over

enclosure

1 *Hospitals are reimbursed for their uncompensated care costs associated with the free care*  
 2 *which they provide.*

3 TOTAL EXPENDITURES \$11,951,198,596 \$ 9,613,151,548

4 MEANS OF FINANCE  
 5 (NONDISCRETIONARY):

6 State General Fund (Direct)	\$ 1,120,539,997	\$ 1,387,286,420
7 State General Fund by:		
8 Interagency Transfers	\$ 8,054,095	\$ 7,011,695
9 Fees & Self-generated Revenues	\$ 60,994,096	\$ 37,386,433
10 Statutory Dedications:		
11 Louisiana Medical Assistance Trust Fund	\$ 357,993,853	\$ 351,409,539
12 Tobacco Tax Medicaid Match Fund	\$ 118,850,945	\$ 118,850,945
13 Medicaid Trust Fund for the Elderly	\$ 1,733,908	\$ 1,733,908
14 Hospital Stabilization Fund	\$ 56,357,050	\$ 56,357,050
15 Federal Funds	<u>\$ 3,082,153,647</u>	<u>\$ 3,159,065,880</u>

16 TOTAL MEANS OF FINANCING  
 17 (NONDISCRETIONARY) \$ 4,806,677,591 \$ 5,119,101,870

18 MEANS OF FINANCE (DISCRETIONARY):

19 State General Fund (Direct)	\$ 814,742,556	\$ 36,741,723
20 State General Fund by:		
21 Interagency Transfers	\$ 16,549,692	\$ 734,110
22 Fees & Self-generated Revenue	\$ 369,511,109	\$ 230,390,850
23 Statutory Dedications:		
24 Community and Family Support	\$ 0	\$ 509,540
25 System Fund		
26 Community Hospital Stabilization Fund	\$ 0	\$ 7,687
27 Health Excellence Fund	\$ 26,090,316	\$ 26,179,101
28 Health Trust Fund	\$ 590,522	\$ 3,053,599
29 Tobacco Tax Medicaid Match Fund	\$ 1,443,691	\$ 1,539,767
30 Louisiana Fund	\$ 7,614,417	\$ 5,622,420
31 Louisiana Medical Assistance Trust Fund	\$ 250,563,436	\$ 149,720,819
32 Federal Funds	<u>\$ 5,657,415,266</u>	<u>\$ 4,039,550,062</u>

33 TOTAL MEANS OF FINANCING  
 34 (DISCRETIONARY) \$ 7,144,521,005 \$ 4,494,049,678

35 Expenditure Controls:

36 Provided, however, that the Louisiana Department of Health may, to control expenditures  
 37 to the level appropriated herein for the Medical Vendor Payments program, negotiate  
 38 supplemental rebates for the Medicaid pharmacy program in conjunction with the preferred  
 39 drug list. In these negotiations, the preferred drug list may be adjusted to limit brand name  
 40 drug products in each therapeutic category while ensuring appropriate access to medically  
 41 necessary medication. Any negotiations by the department or a contractor on behalf of the  
 42 department for supplemental rebates shall make reasonable efforts to negotiate supplemental  
 43 drug rebates in an amount that would result in aggregate net ingredient costs equal to or  
 44 lower than those offered to the United States Department of Veterans Affairs, the United  
 45 States Department of Defense, the 340B Drug Pricing Program, or any other payer. Upon  
 46 implementation of any laws or rules by the department that restores the department's direct  
 47 receipt of any supplemental drug rebates that are presently being retained by a managed care  
 48 organization or its pharmacy benefit manager, the department shall not replace or supplant  
 49 to the managed care organization, or consider in rate setting, any amount of supplemental  
 50 drug rebates returned to the state if the profits of the managed care organization or the parent  
 51 company of the managed care organization exceeded fifty million dollars for the most recent  
 52 fiscal year reporting period as identified by the department or a contractor on behalf of the  
 53 department determining actuarial soundness for establishment of per member per month rate  
 54 setting.

*Veto #1*

*JSZ*