

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 107** SLS 14RS 298

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.: **w/ PROP SEN COMM AMD**

Sub. Bill For.:

Date: May 7, 2014	9:01 AM	Author: NEVERS
Dept./Agy.: DHH/Medicaid		Analyst: Shawn Hotstream
Subject: Louisiana First America Next		

MEDICAID
Provides for the Louisiana First America Next Plan

OR SEE FISC NOTE GF EX

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Proposed law requires the Department of Health and Hospitals (DHH) to create and administer the America Next health care plan. Proposed law requires DHH to develop and submit to the House and Senate committees on Health and Welfare and to the governor an outline specifying how it will seek to implement health care access reforms in Louisiana beginning January 1, 2015. Proposed law requires the department to report to the Joint Legislative Committee on the Budget quarterly to report on various aspects of the plan, including plan enrollment, patient experience, economic impact, carrier competition, and success in avoiding uncompensated care, and additional benchmarks associated with the plan. The plan should consider the following health care access reforms: giving Louisiana individuals the same health insurance deduction, create a state health insurance program, increase participation in health savings accounts, provide greater incentives for wellness, focus on eliminating fraud, provide for increase price and transparency. guaranteeing access for pre-existing conditions, seeking block grant funding and broad authority to spend these federal dollars, and seeking additional federal changes related to insurance (such as cross state insurance purchasing and federal Medicare reforms).

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
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	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
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						

EXPENDITURE EXPLANATION

Proposed law with proposed amendments requires the Department of Health and Hospitals to create and administer the Louisiana First America Next Freedom and Empowerment Plan as a means to implement healthcare access reforms in Louisiana. The major components of this bill include implementation of a state health insurance program and high risk pool, use of tax deductions, utilization of 100% federal block grant funding for the state Medicaid program, and other federal reforms. Reforms are conditioned upon federal approval. The net State General Fund impact to the Department of Health and Hospitals to implement a plan under this measure is indeterminable, however any expansion of coverage to uninsured individuals is anticipated to increase programmatic expenditures of the DHH in future fiscal years. The overall SGF and programmatic impact will be based on a specific access plan required to be submitted by the department and level of block grant funding requested and received by the state. Although the outline and plan will further define how access reforms will be specifically implemented, the following expenditure variables should be considered in determining the net fiscal impact to the state.

1) Medicaid reform (block grant funding): A major component of this bill includes a request to the federal government (waiver) to give federal Medicaid funds directly to the state in the form of a block grant, and granting broad autonomy in how the state would run the program. The fixed allotment is not defined in this measure for FY 15 and future fiscal years. Further, it is unknown if such a grant would require a maintenance of effort (level of state support). The current level of federal funds (HB 1 Engrossed) associated with the Medicaid program totals \$5.3 B (including Medical Vendor Payments and Medicaid Administration). The fiscal note assumes the utilization of block grant funding for many of the provisions outlined in this bill.

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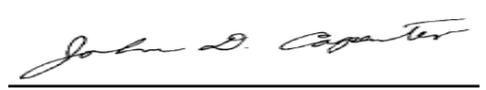
REVENUE EXPLANATION

There are multiple provisions in this measure that could increase or decrease State General Fund revenue; the net result is unknown.

Decreases in SGF could result from tax deductions. This measure provides that all Louisiana health care consumers are granted the same deduction for health insurance, regardless of whether they obtain that health insurance from an employer (allowing them to purchase employer provided coverage with pre tax dollars) or on their own. Providing a health insurance deduction is anticipated to result in a decrease in State General Fund by an indeterminable amount, assuming these individuals are not currently deducting their health insurance premiums. This measure also provides that employers may offer certain incentives to employees that exhibit healthy behaviors on a tax free basis. To the extent that business utilizes this provision, state income tax revenues may decline.

To the extent individuals eligible for a new state health insurance program are enrolled in managed care, additional premium tax revenues are anticipated to be generated to the state as a result of an increase in premium tax revenue authorized under R.S. 22:842. R.S 22:842 imposes a 2.25% premium tax on health insurance premiums (gross annual premiums) related to life, health, and accident.

Senate	<u>Dual Referral Rules</u>	House	<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}			<input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {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}


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CONTINUED EXPLANATION from page one:

2) State Health Insurance Program: The bill requires the state to seek available federal funds to create a health insurance program for individuals with pre existing conditions and low income individuals that may not receive tax savings from a health insurance deduction. It is assumed this program would cover, in part, a certain level of current uninsured through subsidized health insurance. The universe of uninsured covered under this provision would depend on the plan submitted by the department. Based on the availability of insurance that currently exists through PPACA from 100% to 400%, the plan may only include the uninsured up to 100% of the federal poverty level. Based on the 2013 Louisiana Health Insurance Survey, there are approximately 622,033 non elderly uninsured adults in Louisiana, and 216,042 under 100% of the federal poverty level. In addition, individuals with pre existing conditions would be guaranteed access to a high risk pool. To the extent the plan would provide coverage for the uninsured and individuals with pre existing conditions, programmatic costs would increase by a significant but indeterminable amount, depending on the number covered under the plan, the benefit package, and cost sharing requirements of the individual.

As an illustrative example, each individual covered under a new state health insurance program or high risk pool plan may cost between \$540 and \$856 per member per month (rate) for FY 15. This range of costs is based on monthly premiums (commercial) in a Louisiana health exchange (low end pmpm) and historical rate in the Louisiana high risk pool plan (high end pmpm reflected above). The bill allows the state to subsidize the cost of health insurance coverage of certain individuals in both the plan and the high risk pool, but does not indicate the level of subsidy. It is assumed the block grant funding discussed above would be utilized as a revenue source for premium assistance (to subsidize the such insurance premiums). To the extent the program would be funded within the allotment of block grant funding (existing and new grants), the level of state support may be minimized. In addition, this measure provides that the state may implement cost sharing as condition of participation.

3) Other access reforms considered in the bill may increase both State General Fund and programmatic costs of the Department of Health and Hospitals or the state, and will depend on the extent to which the departments plan would build on current initiatives of the department and state. These include implementation of fraud initiatives, and price and quality transparency initiatives. Currently, the Attorney General operates a Medicaid Fraud Control Unit that is both state and federally funded. The unit is an investigative and prosecution unit whose charge is to investigate and prosecute fraud in the administration of the Medicaid program. The current grant (state and federal funds) totals \$5.7 M.

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