



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 82** SLS 22RS 274
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|--|---------|---------------------------------|
| Date: April 8, 2022 | 8:47 AM | Author: MILLS, FRED |
| Dept./Agy.: LDH/Medicaid | | |
| Subject: pharmacy reimbursement | | Analyst: Shawn Hotstream |

MEDICAID EG INCREASE GF EX See Note Page 1 of 1
 Provides relative to Medicaid reimbursement for pharmacy services. (8/1/22)

Proposed law requires the department to enhance reimbursement for pharmacy services using funds paid to the state in the form of a prescription drug rebate through the Medicaid drug rebate program. By January 1, 2023, the department shall file a state plan amendment with the Centers for Medicare and Medicaid Services (CMS) to provide that a pharmacist or pharmacy shall be eligible for enhanced reimbursement which equals or approximates 100% of the appropriate reasonable cost of providing pharmacy services, including but not limited to the actual acquisition cost of drugs and devices.

| EXPENDITURES | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 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> | <u>\$0</u> |
| Annual Total | | | | | | |
| REVENUES | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

This measure is anticipated to increase reimbursement to pharmacy providers from the Medicaid program as a result of requiring payment up to 100% of appropriate reasonable cost of actual acquisition cost of drugs (actual cost the pharmacy provider pays to acquire the drug product from a manufacturer). This measure further requires the cost increase to be covered with drug rebates (state portion) received by the department. The LFO has requested additional information in order to calculate a fiscal impact of this measure, including the actual number of pharmacy invoices that would have to be reviewed annually by LDH. LDH currently reimburses pharmacy providers for their cost of purchasing the drug product (ingredient) based on a national average (National Average Drug Acquisition Cost, or NADAC). To the extent the Medicaid reimbursement is lower than the actual cost of the pharmacy to purchase, this measure appears to require an additional reimbursement to the pharmacist up to 100% of their purchase cost.

Note: LDH has indicated that changing the reimbursement methodology from a NADAC model to a Louisiana Average Acquisition Cost (AAC) model would meet the provisions of this bill, based on the assumption that average acquisition costs of pharmacies in Louisiana is a more accurate indication of actual cost to acquire the drug than based on a national average. Based on analysis by Myers and Stauffer (CPA firm contracted with LDH), changing to an AAC reimbursement model will result in \$14.M in reduced payments to pharmacy providers (for Brand and Generic drug products).

REVENUE EXPLANATION

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

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
 Interim Deputy Fiscal Officer