

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 185** SLS 13RS 487
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 17, 2013 7:34 AM	Author: MURRAY
Dept./Agy.: DHH	Analyst: Shawn Hotstream
Subject: MCO's	

HEALTH CARE OR +\$9,936,775 GF EX See Note Page 1 of 2

Provides relative to Medicaid and certain managed health care organizations providing health care services to Medicaid beneficiaries. (gov sig)
 Proposed law provides for standardized credentialing (provider enrollment), and further provides for timelines related to credentialing.
 Proposed law provides for reimbursement of contracted rate to certain non credentialed providers pending credentialing, and to recoup payments in the event that the provider is not credentialed.

Proposed law requires all managed care organizations to provide a pharmacy benefit that is developed by a new Medicaid Managed care Pharmaceutical and Therapeutics Committee within DHH, and provides for membership to the committee.
Proposed law provides that any drug approved by the US Food and Drug Administration shall be added to the formulary as soon as it becomes commercially available.
 Proposed legislation provides for physician prescribing override protocols.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$9,936,775	\$8,313,205	\$8,313,205	\$8,313,205	\$8,313,205	\$43,189,595
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$14,098,701	\$12,272,271	\$12,272,271	\$12,272,271	\$12,272,271	\$63,187,785
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$24,035,476	\$20,585,476	\$20,585,476	\$20,585,476	\$20,585,476	\$106,377,380

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

Proposed legislation is anticipated to significantly increase SGF expenditures in FY 14 within the Department of Health and Hospitals as the result of requiring standardized credentialing for all managed care health plans operating in Louisiana, requiring the department to build a second preferred drug list (PDL) or prescription drug benefit for only Medicaid managed care plans (Bayou Health), and requiring additional departmental oversight and monitoring of the Medicaid Managed Care program. FY 14 cost estimates are reflected below.

\$15,026,051 - Projected Health Plan premium payment increase (Per Member Per Month increase) - This bill requires the department to create a second preferred drug list (PDL) or prescription drug benefit for for both prepaid and shared savings managed care plans in Bayou Health. Mercer, DHH managed care actuary, estimates the single formulary (PDL) will cost an additional \$2.74 PMPM, or \$15 M annually in additional premiums for Prepaid Health Plans. Information received from the department indicates the health plans would no longer be able to negotiate their own discounts and rebates for their own formularies (PDL's), and the requirement to reimburse all Medicaid covered pharmacy services will increase claims payment costs.

\$6,823,240 - Standardized credentialing (provider enrollment) is estimated to increase contract cost to 3 prepaid health plans and Molina (state's fiscal intermediary). The credentialing requirements will require changes to administrative procedures for the department and it's Medicaid fiscal intermediary, and managed care organization costs (Bayou Health and LBHP). Specifically, changes in forms, communications, and timelines for provider notice of applications will result in additional workload for the plans and Molina, and are projected to increase both PMPM premiums payments to plans (plan estimates). In addition, this measure will require payment system updates to allow non-credentialed providers with a currently contracted provider group to bill and be reimbursed at the group's contracted rate.

\$2,186,185 - Projected funding (\$1,970,925 salary/related benefits) for 20 additional DHH staff to provide management, oversight and monitoring of the Medicaid managed care program. Medicaid will be required to ensure Prepaid health plans pharmacy benefit management organizations are in compliance with the newly created formulary. **See page 2**

REVENUE EXPLANATION

The revenue table above reflects an increase in federal financial participation associated with PMPM payments.

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

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CONTINUED EXPLANATION from page one:

Expenditure analysis: Continued

This function is not performed by the department. DHH currently only verifies plans to ensure there is a drug offered in each class of drug, which is required by CMS. This measure requires DHH to monitor thousands of drugs for each Health plan on a continuous basis. Additional staff include 6 pharmacist, 6 program managers, and 8 program monitors. An additional \$215,260 is projected for equipment associated with new personnel.

Senate

Dual Referral Rules

House

- | | |
|--|--|
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input checked="" type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {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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