



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 435** HLS 16RS 628
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

| | | |
|----------------------------------|---------|---------------------------------|
| Date: April 6, 2016 | 6:05 PM | Author: HODGES |
| Dept./Agy.: DHH/Medicaid | | |
| Subject: cost containment | | Analyst: Shawn Hotstream |

MEDICAID OR -\$19,006,521 GF EX See Note Page 1 of 2
Directs the Department of Health and Hospitals to institute cost sharing for certain Medicaid-covered services

Proposed law provides that the department(DHH) shall establish cost sharing requirements in the Medicaid program, as authorized under federal rule, for non institutional care, including physician visits, and nonemergency services furnished in a hospital emergency room.

Proposed law provides that the amount of each cost sharing function required shall be the maximum amount allowed under federal rules.

| EXPENDITURES | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 5 -YEAR TOTAL |
|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| State Gen. Fd. | (\$19,006,521) | (\$19,006,521) | (\$19,006,521) | (\$19,006,521) | (\$19,006,521) | (\$95,032,605) |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | (\$31,355,221) | (\$31,355,221) | (\$31,355,221) | (\$31,355,221) | (\$31,355,221) | (\$156,776,105) |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | (\$50,361,742) | (\$50,361,742) | (\$50,361,742) | (\$50,361,742) | (\$50,361,742) | (\$251,808,710) |

| 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 | (\$31,355,221) | (\$31,355,221) | (\$31,355,221) | (\$31,355,221) | (\$31,355,221) | (\$156,776,105) |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | (\$31,355,221) | (\$31,355,221) | (\$31,355,221) | (\$31,355,221) | (\$31,355,221) | (\$156,776,105) |

EXPENDITURE EXPLANATION

Proposed law authorizes DHH to impose cost sharing for for non emergency services furnished in a hospital emergency department and for non institutional care. Cost sharing requires certain Medicaid enrollees to make a contribution toward the cost of a Medicaid covered health service. The fiscal note anticipates a reduction in Medicaid expenditures by implementing copayments up to the maximum allowed (\$8) under federal regulation for nonemergency services furnished in an emergency room, and copayments for non institutional care (outpatient care). Savings are generated as result of reducing payments to providers by the copayment amount paid by the enrollee to the provider (cost avoidance). Total payment savings from establishing copayments up to the maximum amount allowable on non emergency ER use and non institutional care is estimated to save approximately \$50.3 M in FY 17. See illustration A for ER copay estimate and Illustration B for outpatient copay/coinsurance estimate.

Ilustration A:
2015 ER Visit Services for Nonemergency Services

| Low Acuity Level | ER visits | Copay | Cost Avoidance |
|------------------|-----------|-------|----------------|
| Level I | 33,288 | \$8 | (\$266,304) |
| Level II | 98,187 | \$8 | (\$785,496) |
| | 131,475 | | (\$1,051,800) |

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REVENUE EXPLANATION

Reductions in Medicaid payments result in a corresponding reduction in federal matching funds. The revenue table above reflects a projected loss of federal matching funds.

Senate

Dual Referral Rules

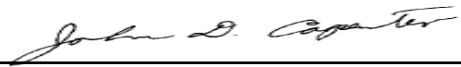
House

☐ 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}



John D. Carpenter
Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one: Page 2 of 2

Illustration B:
Non institutional care (Outpatient, Physician services, therapist services)

Non institutional care Copayment/Coinsurance Schedule:

| | FPL | < 100% | 101%-150% (11% of elig pop) (10% of what agency paid) for selected date of service | >150% (1% of eligible pop) (20% of what agency pays) for selected date of service |
|---|-----|----------------|--|---|
| Unit of service | | \$4 | | |
| 11,518,204 | | (\$46,072,817) | (\$2,726,351) | (\$510,774) |
| Payments | | | | |
| \$254,285,958 | | | | |
| Total cost avoidance (non institutional care) | | | | (\$49,309,942) |

Note: CMS rules provide that total premiums and cost sharing may not exceed an aggregate limit of 5% of a family’s income. Additional administrative costs are anticipated which are associated with tracking each Medicaid beneficiaries incomes to ensure out of pocket costs do not exceed limits in federal law. DHH intends this administrative duty would be the responsibility of the Bayou Health plans. Additional administrative costs of an indeterminable amount would be incurred by the plans (until determined by the rate actuary), and reflected as an increase adjustment in managed care per member per month premiums. DHH anticipates a nominal increase in the PMPM for this new administrative function. Any new administrative costs would net against savings reflected in the Expenditure table above.