	LEGISLA	TIVE FISCAL OFFICE Fiscal Note				
-oungana		Fiscal Note On:	HB 487 HLS 16RS	1234		
: Legiative		Bill Text Version: ORIGINAL				
Fiscal Office		Opp. Chamb. Action:				
		Proposed Amd.:				
		Sub. Bill For.:	REVISE	D		
Date: April 13, 2016	1:16 PM	Aut	Author: JOHNSON, R.			
Dept./Agy.: DHH/Medicaid			,			
Subject: prescription drug rein	cription drug reimbursement		alyst: Shawn Hotstream			
MEDICAID Provides relative to reimbursements		NCREASE GF EX See Note anaged care organizations for prescription	Page 1 n drugs	. of 2		

Proposed law provides that the base of reimbursement for Bayou Health payments for prescription drugs shall be not less than the Medicaid reimbursement, unless the provider and Bayou Health plan have a national agreement for other pricing schedules.

EXPENDITURES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
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	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						
REVENUES	2016-17	2017-18	<u>2018-19</u>	2019-20	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
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**

Proposed law establishes a rate floor (pricing schedule under fee for service) to be paid by Medicaid Managed Care Organizations (MCO) for claims dispensed by pharmacy providers. Based on a comparison of historical fee for service and MCO pharmacy claims data, proposed law is projected to increase Medicaid payments to managed care organizations in future fiscal years by an indeterminable amount as the health plans may be required to pay certain pharmacies (independent pharmacies) at a rate no less than the Legacy Fee for Service Medicaid rate.

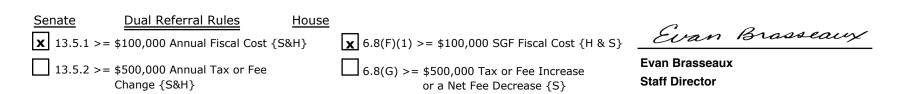
Estimates provided by Mercer (DHH rate actuary) indicate a projected fiscal impact totaling \$7,960,000 in additional Medicaid costs as a result of this measure. Table 1 below reflects the total estimated impact for FY 17.

# Table 1Pharmacy claims impact

Claim	Claim	FFS and MCO	Original Avg	Estimated new	Estimated	Estimated Annual
Type	<u>Count</u>	Original Spend	<u>Claims</u> <u>Cost</u>	<u>Avg Claim Cost</u>	<u>New</u> Spend	<u>Cost</u>
Brand	68,000	\$18,260,000	\$266.55	\$271.40	\$18,590,000	\$330,000
Generic	425,000	\$11,440,000	\$26.94	\$30.39	\$12,910,000	\$1,470,000
Specialty	9,000	\$18,400,000	\$2,034.62	\$2,049.47	\$18,540,000	\$140,000
Unknown	<u>10,000</u>	<u>\$490,000</u>	<u>\$47.10</u>	<u>\$52.46</u>	<u>\$540,000</u>	<u>\$50,000</u>
Quarter	512,000	<u>\$48,590,000</u>	<u>\$94.90</u>	<u>\$98.79</u>	<u>\$50,580,000</u>	<u>\$1,990,000</u>
Ann. Total	2,048,000	\$194,360,000	\$94.90	\$98.79	\$202,320,000	\$7,960,000

### **REVENUE EXPLANATION**

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



	LATIVE FISCAL OFFICE Fiscal Note			
Louisana	Fiscal Note On: HB 48	<b>7</b> HLS 16RS 1234		
: Legilative	Bill Text Version: ORIGINAL	L		
Fiscality	Opp. Chamb. Action:			
	Proposed Amd.:			
	Sub. Bill For.:	REVISED		
<b>Date:</b> April 13, 2016 1:16 PM	Author: JOH	Author: JOHNSON, R.		
Dept./Agy.: DHH/Medicaid		,		
Subject: prescription drug reimbursement	Analyst: Shav	wn Hotstream		
CONTINUED EXPLANATION from page one:		Page 2 of	2	

## Expenditure explanation: continued

#### Assumptions/calculations:

- 1. Results based on analysis of third quarter of 2014 (sample period) claims data, annualized
- Estimate based on estimated count of independent pharmacies and Medicaid enrollment count in 2014
  The impact is based on the assumption that Fee For Service pricing will serve as the level of reimbursement to independent pharmacies (non chain).
- to independent pharmacies (non chain). 4. Original Spend in table above reflects Managed Care claims payments and Fee for Services payments (rounded)
- Mercer calculated average claim cost for the sample period for brand, generic, specialty, and other/unknown category (included both Fee for Service and MCO pharmacy claims), and compares this average to an estimated new claims cost average (Estimated new average claim cost re-prices original spend for same utilization at fee for service reimbursement schedule. Estimated new spend assumes what amount would have been paid by MCO under Fee for Service methodology.



Evan Brasseaux

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}