

FISCAL NOTE
Requested by Legislative Council
03/20/2019

Amendment to: Engrossed HB 1374

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(5,327,775)		\$(7,103,700)
Expenditures			\$(726,515)	\$(5,327,775)	\$(968,687)	\$(7,103,700)
Appropriations			\$(726,515)	\$(5,327,775)	\$(968,687)	\$(7,103,700)

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1374 will require the Department of Human Services to administer pharmacy services for Medicaid Expansion.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

HB 1374 requires the Department to act as the pharmacy program manager Medicaid Expansion.

For the 2019 - 2021 biennium by providing pharmacy management services for Medicaid Expansion, the Department would reduce the Medicaid grants line of Engrossed SB 2012 by \$6,616,637, of which \$901,344, is general fund. Under the current managed care approach, the Department estimates savings of \$4.554 million to Sanford Health Plan for administrative costs (admin, profit, and the Health Insurance Provider Fee (CY 2020 plus first six months of CY 2021)). By bringing the pharmacy claims in-house, we would incur \$562,347 in administrative costs, so the net administrative savings would be \$3.991 million. The net administrative cost savings would require 2 FTE added to the Engrossed SB 2012 along with \$425,381 in total, of which \$106,346 is general fund to the salary and wages line, and an additional \$136,966 in total, of which \$68,483 is general fund. Even with these increases, the Department is estimating a net savings for administration of \$3.991 million.

There are additional efficiencies in utilization management that would also occur, and the efficiencies gained through managing all of Medicaid pharmacy services in-house will result in an expected \$2.1 million in additional grant (drug expenditure) savings.

For the 2021 - 2023 biennium the department estimates a total savings of \$8.072 million of which \$0.968 million is general fund.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Services provided under HB 1374 are eligible to receive matching federal funds based off the Federal Medical Assistance Percentage (FMAP) for Medicaid Expansion as authorized in the 2010 Affordable Care Act.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

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For the 2019 - 2021 biennium by providing pharmacy management services for Medicaid Expansion, the Department would reduce the Medicaid grants line of Engrossed SB 2012 by \$6,616,637, of which \$901,344, is general fund. Under the current managed care approach, the Department estimates savings of \$4.554 million to Sanford Health Plan for administrative costs (admin, profit, and the Health Insurance Provider Fee (CY 2020 plus first six months of CY 2021)). By bringing the pharmacy claims in-house, we would incur \$562,347 in administrative costs, so the net administrative savings would be \$3.991 million. The net administrative cost savings would require 2 FTE added to the Engrossed SB 2012 along with \$425,381 in total, of which \$106,346 is general fund to the salary and wages line, and an additional \$136,966 in total, of which \$68,483 is general fund. Even with these increases, the Department is estimating a net savings for administration of \$3.991 million.

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For the 2021 - 2023 biennium the department estimates a total savings of \$8.072 million of which \$0.968 million is general fund.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

For the 2019 - 2021 biennium the Department would reduce the Medicaid grants line of Engrossed SB 2012 by \$6,616,637, of which \$901,344, is general fund. Under the current managed care approach, the Department estimates payments of \$4.554 million. By bringing the pharmacy claims in-house, we would incur \$562,347 in administrative costs, so the net administrative savings would be \$3.991 million. The net administrative cost savings would require 2 FTE added to the Engrossed SB 2012 along with \$425,381 in total, of which \$106,346 is general fund to the salary and wages, and an additional \$136,966 in total, of which \$68,483 is general fund to the operating line. Even with these increases, the Department is estimating a net savings for administration of \$3.991 million.

There are additional efficiencies in utilization management that would also occur, and the efficiencies gained through managing all of Medicaid in-house will result in an expected \$2.1 million in additional grant (drug expenditure) savings.

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