Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: SB 156
Fiscal Note Number:
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Identifier: SB156CS-DHSS-HCMS-3-23-16
Title: INSURANCE COVERAGE FOR CONTRACEPTIVES
Sponsor: GARDNER
Requester: Senate HSS

Department: Department of Health and Social Services
Appropriation: Medicaid Services
Allocation: Health Care Medicaid Services
OMB Component Number: 2077

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2017**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits	(1,355.7)		(1,355.7)	(1,355.7)	(1,355.7)	(1,355.7)	(1,355.7)
Miscellaneous							
Total Operating	**(1,355.7)**	**0.0**	**(1,355.7)**	**(1,355.7)**	**(1,355.7)**	**(1,355.7)**	**(1,355.7)**
Fund Source (Operating Only)							
1002 Fed Rcpts	(883.7)		(868.4)	(863.3)	(858.2)	(853.1)	(848.0)
1003 G/F Match	(472.0)		(487.3)	(492.4)	(497.5)	(502.6)	(507.7)
Total	**(1,355.7)**	**0.0**	**(1,355.7)**	**(1,355.7)**	**(1,355.7)**	**(1,355.7)**	**(1,355.7)**
Positions							
Full-time							
Part-time							
Temporary							
Change in Revenues							

Estimated SUPPLEMENTAL (FY2016) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/18

Why this fiscal note differs from previous version:

>System Enhancements: No systems changes will be made to restrict first dispensing to 3-months due to the requirement to pay for a 12-month supply for subsequent dispensings. A system edit would unduly restrict patient access. The Department will monitor fill patterns accordingly.
>Costs/Savings related to non-prescription contraceptives were removed to reflect elimination of non-prescription language in this bill version.

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Division: Health Care Services — Date: 03/21/2016 09:22 AM
Approved By: Sana Efird, Assistant Commissioner — Date: 03/25/16
Agency: Health and Social Services

Analysis

Administrative costs are captured in the Health Care Services Appropriation, Medical Assistance Administration Allocation in a separate fiscal note.

Benefits Costs
Oral Contraceptives: Duplication of Services
It is anticipated that there will be approximately 7,940 female Medicaid recipient oral contraceptive users annually (of which, 2,940 are through expansion). It is anticipated that approximately 10%, or 794 members who are oral contraceptive users may require duplication of services (e.g., therapy changes, replacement of lost or stolen contraceptives, and diverted contraceptives). Based on an average 4-month duplication of services, and based on a $45 per month National Average Drug Acquisition Cost average for oral contraceptives, the total duplication of services cost is estimated to be (794 members X 4 months X $45) = $142.9 (of which, $52.9 is attributable to expansion)

Benefits Savings
Of the approximately 8,000 female Medicaid members who are contraceptive users, we assume that 75% or 6,000 plan to use the oral contraceptive long-term (i.e., longer than 12 months). With a standard oral contraceptive failure rate of 9% as cited by the Centers for Disease Control, 540 unintended pregnancies would result. A report by Foster et. al. (2011) projects a decrease in failure rate of approximately 30% when oral contraceptives are dispensed in 12-month quantities, which would result in an oral contraceptive failure rate of 6%. However, based on variable factors in Alaska, we have estimated a failure rate of 7%. This 7% failure rate would approximate 420 unintended pregnancies. Therefore, it is approximated that the difference between a 9% failure rate and a 7% failure rate, or 120 unintended pregnancies, may potentially be avoided through dispensing 12-month quantities.

Based on Medicaid claims data, the rate of complicated births is approximately 4.4%. Applying this differential, we estimate that approximately 5.28 of the unintended pregnancies would have been complicated births, and 114.72 would have been non-complicated. The cost factor used for a complicated birth was $110.0; the cost factor used for a non-complicated birth was $8.0. Therefore, benefits savings is estimated at 5.28 X $110.0 + 114.72 X $8.0 = $1,498.6 (of which, $562.0 is attributable to expansion).

$142.9 + ($1,498.6) = ($1,355.6) net total FY2017 savings in this component.

FUND SOURCE:
The Medicaid FMAP for contraceptives is 90%
The Medicaid FMAP for pregnancy-related services is 50%

FMAP for the Medicaid expansion population changes by federal fiscal year for several years, settling at 90% for all services by calendar year 2022. Prorated by state fiscal year, the expansion FMAP rates are:

FY2017	97.5%
FY2018	94.5%
FY2019	93.5%
FY2020	92.5%
FY2021	91.5%
FY2022	90.5%

Analysis Continued

Applying these several FMAP rates generates the following fund source splits.

FY2017 oral contraceptives cost				
	total	*regular Medicaid @ 63%*	*expansion Medicaid @ 37%*	*total*
	$142.9	$90.0	$52.9	
federal		$81.0	$51.6	$132.6
GF match		$9.0	$1.3	$10.3

FY2017 savings, unintended pregnancies avoided				
	total	*regular Medicaid @ 62.5%*	*expansion Medicaid @ 37.5%*	*total*
	($1,498.6)	($936.6)	($562.0)	
federal		($468.3)	($547.9)	($1,016.2)
GF match		($468.3)	($14.0)	($482.4)

FY2017 TOTAL				
	total	*regular Medicaid*	*expansion Medicaid*	
	($1,355.7)	($846.6)	($509.1)	
federal		($387.3)	($496.4)	($883.7)
GF match		($459.3)	($12.7)	($472.0)

The department anticipates a net FY2017 savings of ($883.7) federal and ($472.0) GF match. The logic of the calculations for FY2018 - 2022 is the same, except that the expansion FMAP rates are adjusted annually, as explained above.

Promulgation of associated regulations will take approximately six months following State Plan Amendment approval by the Centers for Medicare and Medicaid Services, with implementation effective January 1, 2018.