Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: SB 156
Fiscal Note Number:
() Publish Date:

Identifier: SB156-DHSS-HCMS-2-23-16
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	18.3						
Commodities							
Capital Outlay							
Grants & Benefits	2,004.4		2,004.4	2,004.4	2,004.4	2,004.4	2,004.4
Miscellaneous							
Total Operating	**2,022.7**	**0.0**	**2,004.4**	**2,004.4**	**2,004.4**	**2,004.4**	**2,004.4**
Fund Source (Operating Only)							
1002 Fed Rcpts	2,244.1		2,212.4	2,204.9	2,189.8	2,178.6	2,178.6
1003 G/F Match	(221.4)		(208.0)	(200.5)	(185.4)	(174.2)	(174.2)
Total	**2,022.7**	**0.0**	**2,004.4**	**2,004.4**	**2,004.4**	**2,004.4**	**2,004.4**
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If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/18

Why this fiscal note differs from previous version:

Not applicable; initial version.

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Division: Health Care Services — Date: 02/23/2016 04:45 PM
Approved By: Sana Efird, Asst. Commissioner, Finance and Management Services — Date: 02/23/16
Agency: Health and Social Services

Analysis

Under Alaska Medicaid's current State Plan, contraceptive products are covered only with a corresponding prescriber's prescription. Not requiring a prescription for over the counter (OTC) contraceptives, such as condoms, will promote increased utilization.

System Enhancements
MMIS system enhancements required to implement this change are estimated to be $18,300 (50% FMAP/50%GF).

Benefits Costs
Assumptions: an estimated 20,000 Medicaid members (of which, 7,500 are through expansion) members will take advantage of Medicaid coverage of condoms without a prescription

1 - Condoms
At an average cost of $1 per condom, 24 condoms refilled/dispensed quarterly, plus an avg. dispensing fee of $18 per refill, the annual cost will be approximately $168 per member. An estimated 20,000 Medicaid members will take advantage of Medicaid coverage of condoms without a prescription, for a total cost of $3,360,000 (of which, $1,260,000 is attributable to expansion).

2 - Oral Contraceptives: Duplication of Services
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). It is anticipated that there will be approximately 7,940 female Medicaid recipient contraceptive users annually (of which, 2,940 are through expansion) contraceptive users annually. 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 * 4 months * $45) = $142,920 (of which, $52,920 is attributable to expansion)

Benefits Savings
Of the approx. 8,000 female Medicaid members who are contraceptive users, we estimate that 75% or 6,000 will use oral contraceptives. 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 $110,000; the cost factor used for a non-complicated birth was $8,000. Therefore, benefits savings is estimated at 5.28 * $110,000 + 114.72 * $8,000 = $1,498,560 (of which, $561,960 is attributable to expansion)

$18,300 + $3,360,000 + $142,290 - $1,498,560 = $2,022,660, or **$2,022.7 net total SFY2017 cost**

Analysis Continued

FUND SOURCE:
The Medicaid FMAP / GF rates for 2017 - 2022 for contraceptives is 90% / 10%
The Medicaid FMAP / GF rates for 2017 - 2022 for pregnancy-related services are 50% / 50%

The Medicaid Expansion FMAP / GF rate for SFY2017 is 97.5% / 2.5%
The Medicaid Expansion FMAP / GF rate for SFY2018 is 94.5% / 5.5%
The Medicaid Expansion FMAP / GF rate for SFY2019 is 93.5% / 6.5%
The Medicaid Expansion FMAP / GF rate for SFY2020 is 91.5% / 8.5%
The Medicaid Expansion FMAP / GF rate for SFY2021 - 2022 is 90% / 10%

In SFY2017, the total operating expenditures = $2,022.7.
We anticipate collecting $2,244.1 in federal receipts, and we anticipate a GF savings of ($221.4), based on the rates indicated above.

The $2,217.0 SFY2017 FEDERAL receipts amount is derived as follows:

System Enhancement
$18,300 * 0.5 FMAP = $9,150

Condoms
$2,100,000 * 0.9 FMAP = $1,890,000
$1,260,000 * 0.975 FMAP = $1,228,500

Oral Contraceptives
$89,325 * 0.9 FMAP = $80,392
$53,595 * 0.975 FMAP = $52,255

Benefit Savings, Unintended Pregnancies Avoided
($936,600) * 0.5 FMAP = ($468,300)
($561,960) * 0.975 FMAP = ($547,911)

$9,150 + $1,890,000 + $1,228,500 + $80,392 + $52,255 + ($468,300) + ($574,911) = $2,244,086 or $2,244.1

The logic of the calculations derived for 2017 through 2022 is the same except that the FMAP rates are adjusted to reflect the listed annual rates above, and the system enhancement cost is SFY2017 only.

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Analysis Continued

The ($221.4) SFY2017 GF Match is derived as follows:

System Enhancement
+ $18,300 * 0.5 FMAP = $9,150

Condoms
+ $2,100,000 * 0.1 FMAP = $210,000
+ $1,260,000 * 0.025 FMAP = $31,500

Oral Contraceptives
+ $89,3250 * 0.1 FMAP = $8,932
+ $53,595 * 0.025 FMAP = $1,340

Benefit Savings Unintended Pregnancies Avoided
($936,600) * 0.5 FMAP = ($468,300)
($561,960) * 0.025 FMAP = ($14,049)

$9,150 + $210,000 + $31,500 + $8,932 + $1,340 + ($468,300) + ($14,049) = ($221,427) or ($221.4)

The logic of the calculations derived for 2017 through 2022 is the same except that the FMAP rates are adjusted to reflect the listed annual rates above, and the system enhancement cost is SFY2017 only.