

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSHB 25(FIN)
Fiscal Note Number:	7
(H) Publish Date:	3/29/2018

Identifier: HB025CS(FIN)-DHSS-HCMS-1-4-18
 Title: INSURANCE COVERAGE FOR
 CONTRACEPTIVES
 Sponsor: CLAMAN
 Requester: House Rules

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)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits	(677.9)		(1,355.7)	(1,355.7)	(1,355.7)	(1,355.7)	(1,355.7)
Miscellaneous							
Total Operating	(677.9)	0.0	(1,355.7)	(1,355.7)	(1,355.7)	(1,355.7)	(1,355.7)

Fund Source (Operating Only)

1002 Fed Rcpts (Fed)	(430.0)		(855.0)	(850.0)	(845.0)	(842.5)	(842.5)
1003 G/F Match (UGF)	(247.9)		(500.7)	(505.7)	(510.7)	(513.2)	(513.2)
Total	(677.9)	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

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) 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 If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/19

Why this fiscal note differs from previous version/comments:

Not applicable; initial version.

Prepared By:	Margaret Brodie, Director	Phone:	(907)334-2400
Division:	Health Care Services	Date:	01/03/2018
Approved By:	Shawnda O'Brien, Assistant Commissioner	Date:	01/04/18
Agency:	Health and Social Services		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
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Analysis

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 of contraceptives.

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 avoided 120 unintended pregnancies would have been complicated births, and the remaining 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).

$\$142.9 + (\$1,498.6) = (\$1,355.7)$ net total annual projected 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 2023. Prorated by state fiscal year, the expansion FMAP rates are:

FY2019 - 93.5%
 FY2020 - 92.5%
 FY2021 - 91.5%
 FY2022 - 90.5%
 FY2023 - 90.0%
 FY2024 - 90.0%

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Analysis

Applying these several FMAP rates generates the following FY2019 fund source splits:

FY2019 Oral Contraceptives Costs				
	Total	Regular Medicaid @ 63%	Expansion Medicaid @ 37%	Total
	\$ 142.9	\$ 90.0	\$ 52.9	
Federal		\$ 81.0	\$ 49.4	\$ 130.5
GF Match		\$ 9.0	\$ 3.4	\$ 12.4
FY2019 Savings, Unintended Pregnancies Avoided				
	Total	Regular Medicaid @ 63%	Expansion Medicaid @ 37%	Total
	\$(1,498.6)	\$(944.1)	\$(554.5)	
Federal		\$(472.1)	\$(518.4)	\$(990.5)
GF Match		\$(472.1)	\$(36.0)	\$(508.1)
FY2019 Total				
	Total	Regular Medicaid @ 63%	Expansion Medicaid @ 37%	Total
	\$(1,355.7)	\$(854.1)	\$(501.6)	
Federal		\$(391.0)	\$(469.0)	\$(860.0)
GF Match		\$(463.1)	\$(32.6)	\$(495.7)

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, 2019.

Since the regulations will only be in effect for six months of FY2019, cost savings have been adjusted to reflect one-half of the fiscal year. The department anticipates a net FY2019 savings of (\$430.0) federal (\$860.0 x .5 = \$430.0) and (\$247.9) GF match (\$495.7 x .5 = \$247.9).

The logic of the calculations for FY2020 - 2024 is the same as above for FY2019.