# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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## FISCAL IMPACT STATEMENT

**LS 7123** | **NOTE PREPARED:** Jan 4, 2006
**BILL NUMBER:** SB 318 | **BILL AMENDED:**

**SUBJECT:** Medicaid Maximum Allowable Cost Update Timing.

**FIRST AUTHOR:** Sen. Miller | **BILL STATUS:** As Introduced
**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL
DEDICATED
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill allows the Office of Medicaid Policy and Planning to implement a change in the Office's maximum allowable cost schedule for prescription drugs seven days after the Office posts the changes on the Office's Internet web site. (Current law requires 45 days before the change may be effective).

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** This bill would reduce the length of time that the Office of Medicaid Policy and Planning (OMPP) is required to post a notice of changes to the maximum allowable cost (MAC) schedule for prescription drugs before the change may be effective. The cost savings would be dependent upon the number and magnitude of the changes to the MAC schedule. OMPP has estimated that had this bill been in effect for FY 2006, the state would have saved approximately $3 M in state and federal dollars, or about $1.86 M in state General Funds.

Costs associated with the distribution of paper notices are assumed by a contractor and are reported to be negligible by OMPP.

The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

**Explanation of State Revenues:** See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** County-owned hospitals with pharmacies that dispense outpatient prescriptions for fee-for-service Medicaid recipients and county-owned nursing facilities with pharmacies that dispense prescriptions for patients not covered by Medicare Part D, could realize a decrease in prescription drug revenue from Medicaid.

**State Agencies Affected:** OMPP, Family and Social Services Administration

**Local Agencies Affected:** County-owned hospitals and nursing facilities.

**Information Sources:** OMPP, Family and Social Services Administration.

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