

LSA NUMBER: 10-420

TITLE: CHIP Overhaul

DIVISION: OMPP/CHIP

PREPARED BY: Attorney: Kevin Wild; Program Staff: David Lambert

OVERVIEW OF RULE: Amends 407 IAC 1-1-11, 407 IAC 1-2-1, 407 IAC 1-2-2, 407 IAC 1-4-1, 407 IAC 1-6-2, 407 IAC 2-3-1, 407 IAC 2-4-2, 407 IAC 3-3-2, 407 IAC 3-10-1, 407 IAC 3-10-2, and 407 IAC 3-13-1.

LSA Document #10-420 amends Title 407 to update the definition of managed care organization, require provider claims to be filed with the State's fiscal agent within twelve (12) months of the date of service, apply Medicaid reimbursement dispute resolution procedures to CHIP providers who do not have a contract with a CHIP risk-based managed care organization, establish that the Office shall set any case management fees if CHIP is administered as a primary care case management program, provide that the Office will set premiums in accordance with federal law instead of specifying the specific premium amounts in rule, apply Medicaid fee-for-service prior authorization procedures if CHIP is administered as a primary care case management program, apply Medicaid risk-based managed care prior authorization procedures if CHIP is administered as a risk-based managed care program, require CHIP managed care organizations to publish their prior authorization procedures, require CHIP managed care organizations to make prior authorization decisions no later than seven (7) calendar days, cover over-the-counter drugs in certain situations, apply the Medicaid brand name drug coverage policy to CHIP and make other technical changes.

FISCAL IMPACT: The proposed rule amendments are anticipated to have a fiscal impact on the State associated with the cost of providing coverage of limited non-legend drugs. This cost will be offset by a reduction in legend drug costs in cases where covered non-legend drugs are ordered in place of a more expensive legend drug. The fiscal impact analysis assumes that legend drugs that can be replaced by comparable non-legend drugs are, on average, 2.17 times more expensive than the comparable non-legend drugs. This is an assumption based on experience in the Medicaid program. The cost impact is expected to be a decrease of \$108,803 in CY 2011 in state and federal costs. The state share is expected to be a \$25,950 decrease in costs.

ECONOMIC IMPACT: FSSA has determined that the proposed rule does not have an economic impact of greater than five hundred thousand dollars (\$500,000) on the regulated entities. 3,295 physicians participate in the CHIP program. The majority of the proposed rule changes have little to no impact on them. However, application of the Medicaid brand name drug coverage policy shall have a minor impact on them. The proposed rule will require CHIP physicians to obtain prior authorization before a pharmacy will dispense a brand name drug. FSSA estimates that they will incur minor additional administrative expenses in seeking prior authorization of brand name drugs. These additional expenses will be much less than \$500,000 annually, and will be associated with submitting a written prior authorization request to the State's prior authorization vendor and, if approved, indicating the prior authorization number assigned to the approved request on the prescription.

OPPONENTS: None known.

PROPONENTS: None known.

RECOMMENDATIONS: None.

PUBLIC HEARING COMMENTS: A public hearing will be held March 10.