

EXECUTIVE AGENCY
FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: February 11, 2021

Agency Submitting: Department of Health and Human Services, Health Care Financing and Policy

Items of Revenue or Expense, or Both	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Effect on Future Biennia
Medical Costs (3243 Nevada Medicaid) (Expense)		\$3,712,055	\$3,837,309	\$7,674,618
System Costs (3158 Administration) (Expense)		\$10,000		
Actuarial Costs (3158 Administration) (Expense)		\$30,000		
Total	0	\$3,752,055	\$3,837,309	\$7,674,618

Explanation

(Use Additional Sheets of Attachments, if required)

The Division of Health Care Financing and Policy (DHCFP) has reviewed this BDR and determined that it will have a fiscal impact on the division.

Section 1 requires Nevada Medicaid to cover donor breast milk, formulated human milk, and human milk-based milk fortifier for infants meeting certain criteria (birth weight less than or equal to 1,500 grams, congenital or acquired intestinal condition that causes a high risk of feeding intolerance, necrotizing enterocolitis/infection, or other infants who would benefit from nourishment from breast milk). The division calculated the costs of covering these products as well as the potential offsetting savings from reduced length of stay in Neonatal Intensive Care Units (NICU). Note that it is uncertain whether the Centers for Medicare and Medicaid Services (CMS) would allow for federal financial participation for donor milk, which may not be approved by the Food and Drug Administration (FDA); if not, then the full cost of donor milk would be covered by state general funds. For this analysis, we assumed that federal financial participation would be available to the state.

Implementing this section would also create administrative costs for the division. The Medicaid Management Information System (MMIS) would need to be updated to open new codes, establish new rates, and create edits/audits associated with prior authorization criteria (match is 75% federal/25% state).

In addition, actuarial costs would be incurred for recalculating and recertifying the managed care capitation rates. The capitation rates are set on a calendar year basis and the July 1, 2021 effective date of this BDR would require a mid-year recertification of the rates (50/50 administrative match).

The estimated total computable impact for this BDR for the upcoming biennium is \$7,589,364, including \$2,789,944 of state general funds.

Name Phil Burrell
Title Deputy Administrator

GOVERNOR'S OFFICE OF FINANCE COMMENTS

The agency's response appears reasonable.

Date Thursday, February 11, 2021

Name Lynnette Aaron
Title Executive Branch Budget Officer

Fiscal Impact Analysis

**Division of Health Care Financing and Policy
SB86 (BDR 38-28) Donor Breast Milk
Analysis Summary**

Estimated Fiscal Impact FY20-FY21 Biennium

State Fiscal Year	Total Computable	Federal Funds	General Fund	County Funds
FY20	\$0	\$0	\$0	\$0
FY21	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0

Estimated Fiscal Impact FY22-FY23 Biennium

State Fiscal Year	Total Computable	Federal Funds	General Fund	County Funds
FY22	\$3,712,055	\$2,329,963	\$1,382,092	\$0
FY23	\$3,837,309	\$2,446,957	\$1,390,352	\$0
Total	\$7,549,364	\$4,776,920	\$2,772,444	\$0

Description of Budget Concept

This BDR requires Nevada Medicaid to cover donor breast milk, formulated human milk, and human milk-based milk fortifier for infants meeting certain criteria (birth weight less than or equal to 1,500 grams, congenital or acquired intestinal condition that causes a high risk of feeding intolerance, necrotizing enterocolitis/infection, or other infants who would benefit from nourishment from breast milk). The effective date is July 1, 2021.

Methodology

1) Fee-For-Service (FFS) utilization and managed care encounter data were captured by running a report out of the MMIS using the following parameters: Patients with the following Diagnosis Codes P05, P05.0, P05.00, P05.01, P05.02, P05.03, P05.04, P05.05, P05.1, P05.10, P05.11, P05.12, P05.13, P05.14, P05.15, P05.2, P05.9, P07, P07.0, P07.00, P07.01, P07.02, P07.03, P07.1, P07.10, P07.14, and P07.14 SFY20 (07/01/2019 - 06/30/2020) Incurred with Runoff, Net Allowed Amount

2) Patient by Category counts were captured by running a report out of the MMIS to include FFS patients and Managed Care (MCO) patients.

3) For FFS and MCO costs, cost per ounce of breast milk was calculated using an average cost based on rates from California, Ohio, Illinois, and a NANN.org study (\$4.16 per ounce). Existing rates for fortifier (\$0.81) and formula (\$1.50) were used for those products. Estimated ounces per meal and number of meals per day were taken from John Hopkins Medicine; the midpoints were used for both calculations. The cost per ounce, meals per day and the ounces per meal were multiplied to get the cost per day. The cost per day is then multiplied by the average number of days in the set of months the feedings occur in. This is multiplied by the number of FFS or MCO clients to get the total cost per year for infants meeting these criteria.

4) Separate analysis was completed for each group of infants: those expected to receive donor breast milk, those receiving human milk fortifier, and those receiving human milk-based formula. Centers for Disease Control (CDC) data shows the number of infants that are breastfed (81.1%); this percentage was used to estimate the percent of parents that would be inclined to use donor breast milk or fortifier for their infants. We assumed that 50% of these potentially breast-fed infants would use the donor breast milk and 50% would use the fortifier. The remaining 18.9% of infants would use the human milk-based formula. The number of infants calculated for each of these scenarios was multiplied by the estimated costs and summed to get costs for SFY20.

Fiscal Impact Analysis

- 5) Cost savings are based on a study from Ganapathy, Hay, and Kim from Breastfeeding Medicine. The study determined there was a reduction of 3.9 NICU days for babies who received breast milk or fortified bovine milk. The number of Nevada Medicaid infants with these diagnoses who had NICU stays using Revenue code 0174 were identified. The count of these patients was then multiplied by 3.9 times \$1,747 (the current rate for that service at PT 11 Inpatient Hospital providers) to calculate the estimated savings. Note that rates used in the analysis do not reflect the 6% rate reduction approved by the Nevada State Legislature under AB3 passed during the 31st Special Session because these rate reductions have not yet been approved by the Centers for Medicare and Medicaid Services (CMS).
- 6) Total computable expenditures were grown forward based on the DHHS Office of Analytics caseload projections.
- 7) FMAP rates were applied to determine the federal share of estimated costs. Note that the COVID-19 enhanced FMAP for Medicaid is used through June 30, 2021, coinciding with the projected time period of the public health emergency declaration. This analysis would need to be revised if the emergency declaration differs from the expected time period.
- 8) It is uncertain if federal financial participation (FFP) is available for donor breast milk products if they are not approved by the Food and Drug Administration (FDA). If FFP is not available, the entire cost would need to be covered by the state.