



MEMORANDUM

To: Representative Mitzi Johnson, Chair, House Committee on Appropriations

From: Steven M. Costantino, Commissioner, Department of Vermont Health Access

Cc: Hal Cohen, Secretary, Agency of Human Services

Date: March 15, 2016

Re: Department of Vermont Health Access - Medicaid Rates for Outpatient LARC

This memorandum is in response to the request for information from the Department of Vermont Health regarding estimates of fiscal impact and cost savings associated with increasing Medicaid's rate for outpatient LARC per H.620.

Estimated Net Fiscal Impact of 10% LARC Rate Increase

- \$341,051 (10% LARC rate increase)
- \$306,187 (savings from additional 5% reduction in unintended pregnancies)
- \$34,864 (gross/annualized)**

SFY 17 additional appropriation needed (assumes 10/1/16 effective date): **\$26,148 (gross)**
SFY 18 appropriation: \$34,864 (gross)

Fiscal Estimate for Outpatient LARC

\$341,051 gross/annualized
SFY 17 (assumes 10/1/16 effective date): \$255,788 (gross)

Proposed rate increase for LARC product: 10%

Estimated utilization increase: 20%

Increased utilization is presumed as a result of increased promotion and awareness of LARC.

Estimated total expenditure on Outpatient LARC, with 10% rate and 20% utilization increase:

	No Change in Utilization		+ 20% Utilization	
	Annual LARC Spend (Gross)	Additional \$ Needed (Gross)	Annual LARC Spend (Gross)	Additional \$ Needed (Gross)
Current Annual Gross Spend on LARC	\$1,065,783	\$0	\$1,278,940	\$213,157
10% Rate Increase	\$1,172,361	\$106,578	\$1,406,834	\$341,051

Total Savings

\$2,681,187 gross/SFY18

\$2,681,187 in Medicaid savings assumes a 30% reduction in unintended pregnancies the promotion of LARC in both inpatient and outpatient settings.

\$2,681,187 in cost savings includes:

1. Savings already booked in BAA* (\$2,375,000 gross) for increasing post-partum inpatient DRG with an add payment to promote and capture post-partum contraceptive intervention.
 - a. This savings assumed a 25% reduction in unintended pregnancies
2. Savings associated with H.620's additional promotion of LARC in outpatient settings through a rate increase.
 - a. Assumes an additional 5% reduction in unintended pregnancies.

* It is anticipated that LARC promotion in the outpatient setting will effect savings achieved through the inpatient setting, but DVHA estimated a combined savings of \$2,681,187 between the promotion of LARC in both settings.