

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. **Bill Number:** HB 620

House of Origin Introduced Substitute Engrossed
 Second House In Committee Substitute Enrolled

2. **Patron:** Price

3. **Committee:** Health and Human Services

4. **Title:** Medical assistance services; payment for essential hygiene products.

5. **Summary:** The proposed legislation directs the State Board of Health to include a provision for payment of medical assistance for the purchase of essential hygiene products in the state plan for medical assistance services.

6. **Budget Amendment Necessary:** Yes, Items 288 and 292.

7. **Fiscal Impact Estimates:** Preliminary, See Item 8.

Expenditure Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund*</i> |
|--------------------|----------------|--------------|
| 2025 | \$234,753,559 | General |
| 2025 | \$525,958,105 | Nongeneral |
| 2026 | \$260,092,190 | General |
| 2026 | \$582,216,585 | Nongeneral |
| 2027 | \$265,129,497 | General |
| 2027 | \$593,525,454 | Nongeneral |
| 2028 | \$270,267,550 | General |
| 2028 | \$605,060,499 | Nongeneral |
| 2029 | \$275,508,365 | General |
| 2029 | \$616,826,246 | Nongeneral |
| 2030 | \$280,853,995 | General |
| 2030 | \$628,827,308 | Nongeneral |

*Should the federal government deny the coverage of this benefit, then the benefit costs would need to be supported with general fund dollars.

8. **Fiscal Implications:** The bill would add a list of personal hygiene products that are to be covered by Medicaid and the Children’s Health Insurance Program (CHIP). This would include, but not necessarily be limited to, diapers, baby wipes, fluoride toothpaste and toothbrushes, dental floss, body wash and soap, shampoo and conditioner, deodorant, feminine hygiene products, sunscreen, and toilet paper. It is unclear as to how the Department of Medical Assistance Services (DMAS) would administer this benefit as it is assumed that all members of Medicaid and CHIP would use an unknown quantity of these hygiene products daily. The agency considered a number of approaches, which included an electronic benefit transfer (EBT) system, pharmacy benefit, member reimbursement, and

direct payments. Each of these delivery methods present unique challenges and complexities. For the purposes of this fiscal impact statement, it is assumed that DMAS would estimate the value of the hygiene product benefit and provide eligible members with direct payments. This approach would require DMAS to provide each member with a monthly stipend (calculated by DMAS) to cover the cost of any essential hygiene products. It assumed that the member would attest to the fact that only appropriate essential hygiene products were purchased. While this method has significant complexities, it was deemed to be the most efficient delivery method to meet the bill's provisions. Based on agency experience with mailings and payments, DMAS estimates the administrative cost of providing a cash payment to cover hygiene products to be approximately \$2.1 million each month or \$25.1 million (\$8.2 million general fund) each year.

DMAS estimates that the average monthly cost of the over-the-counter hygiene products identified in the bill to be \$36.32 per member. This estimate is based on developing market baskets of generic hygiene products at the current prevailing prices by member age and sex. It should be noted that the bill does not necessary limit the coverage of essential hygiene products to those listed in the bill. Should additional products be added to this list, the benefit cost would increase. Based on the current population of full benefit medical assistance members, DMAS assumes that 1.9 million full benefit members would be eligible for the covered hygiene products. Further, a relatively high utilization is expected for this new benefit as these are essential personal care products that are likely routinely used by eligible members. Assuming 95 percent of the eligible population utilized the maximum amount of the benefit each month, the annual average cost would be \$802.6 million. It is assumed that these payments would be primarily provided through managed care and DMAS assumes one month lag of first year payments. DMAS also assumes two percent inflation after the first year. With these added assumptions, the cost-of-service provision is expected to be \$735.7 million (\$226.5 million general fund) in FY 2025 and \$817.3 million (\$251.9 million general fund) in FY 2026.

While it is unclear if the Centers for Medicare and Medicaid Services would approve this new coverage, DMAS assumes that costs would be eligible for federal matching funds. Of the full cost, 56.0 percent would be funded through base Medicaid (49.01 percent state share), 9.8 percent through CHIP (34.31 percent state share), and 34.2 percent in Medicaid expansion (10 percent state share paid by provider assessment). Should the federal government deny the coverage of this benefit, then the benefit costs would need to be supported with general fund dollars.

Based on the above assumptions, DMAS estimates the total cost of covering the identified essential personal hygiene products to be \$760.7 million (\$234.8 million general fund) in FY 2025 and \$842.3 million (\$260.1 million general fund) in FY 2026. Different assumptions related to benefit administration, utilization, availability, or coverage, would likely have a significant impact on the cost estimates included in this fiscal impact statement.

9. Specific Agency or Political Subdivisions Affected:

Department of Medical Assistance Services

10. Technical Amendment Necessary: No

11. Other Comments: None