PREPARED BY: Liz Hruska
DATE PREPARED: March 14, 2022
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# LB 698

**Revision: 02**

# FISCAL NOTE

**LEGISLATIVE FISCAL ANALYST ESTIMATE**

Revised to include an agency fiscal note

**ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)**

| | FY 2022-23 | | FY 2023-24 | |
|---|---|---|---|---|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | $325,810 | | $655,472 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | $442,960 | | $899,443 | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | $768,770 | | $1,554,915 | |

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

This bill requires the Department of Health and Human Services to cover continuous glucose monitors (CGM) under Medicaid for eligible recipients with a prescription for the device.

The department's fiscal note only shows those with Type 1 diabetes. The bill as written would cover all eligible recipients who have a prescription which could be interpreted to also include those with Type 2 diabetes.

The department estimates 977 individuals eligible for Medicaid are diagnosed with Type 1 diabetes. The department's estimate assumes 100% of Type 1 Medicaid clients would switch to Continuous Glucose Monitors (CGM). The department used the average retail cost of CGMs on the market and did not show any offset for current testing supplies for finger stick monitoring. The department's estimate is $2,256,382 ($950,614 GF and $1,305,768 FF) in FY 2023 and $4,580,454 ($1,929,745 GF and $2,650,709 FF) in FY 2024. It is unclear why the average retail cost was used. Medicaid is allowed to put controls and limits on covered services and supplies and is generally the lowest or one of the lowest payors. Using the lowest cost option for CGMs and assuming all Medicaid eligibles with Type 1 diabetes use a CGM, the cost would be $768,770 ($325,810 GF and $442,960 FF) in FY 2023 and $1,554,915 ($655,472 GF and $899,443 FF) in FY 2024. Savings from current use of testing supplies is estimated at $146,749 for a half year in FY 2023 and $297,497 in FY 2024. No estimate is included for Type 2 patients.

As of May 2021, more than 40 states offered some CGM coverage for Medicaid patients as a pharmacy benefit. There is considerable research on the impact of CMGs compared to finger stick monitoring. All research shows improvement in glucose levels with CGMs compared to finger stick monitoring. Cost effectiveness studies vary on their conclusions because different measurements are used. The study cited by the department in their fiscal note, only compares the cost of the CGMs to finger stick monitoring. Other studies have compared overall health care costs between the two types of monitoring. The 2018 study, Health Care Costs, Hospital Admissions, and Glycemic Control Using a Standalone Real-Time Continuous Glucose Monitoring System in Commercially Insured Patients with Type 1 Diabetes, concluded:

> Despite its limitations, this study had yielded real-world evidence that rtCGM use by patients with T1DM is associated with improved glucose control, as well as with decreased health care costs and utilization. An international expert panel has recommended that rtCGM, in conjunction with A1C, be considered "for glycemic status assessment and therapy adjustment in all patients with type 1 diabetes and patients with type 2 diabetes treated with intensive insulin therapy who are not achieving glucose targets," and both the American Association of Clinical Endocrinologists and the American College of Endocrinology note that "expanded CGM coverage by government and private payers is an urgent need."

Use of CGMs do appear to result in health care cost savings when use is targeted to certain patient groups and decreased hospitalizations are factored in. It is unclear if the bill as written allows for a more targeted approach to those whose use of CGMs results in overall cost savings. Additional information is needed to determine the net savings that may be gained from targeted CGM usage.

CONTINUED

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE | | | | | |
|---|---|---|---|---|---|
| LB: 698 | AM: | AGENCY/POLT. SUB: Nebraska Department of Health and Human Services | | | |
| REVIEWED BY: Ann Linneman | | DATE: 3-8-2022 | | PHONE: (402) 471-4180 | |
| COMMENTS: The Nebraska Department of Health and Human Services' analysis and estimate of fiscal impact to the department appears reasonable. | | | | | |

# LB(1) 698 - Revised FISCAL NOTE 2022

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) John Meals | Date Prepared 3-8-2022 | Phone: (5) 471-6719

| | FY 2022-2023 | | FY 2023-2024 | |
|---|---|---|---|---|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| **GENERAL FUNDS** | $888,872 | | $1,804,293 | |
| **CASH FUNDS** | | | | |
| **FEDERAL FUNDS** | $1,220,959 | | $2,478,387 | |
| **OTHER FUNDS** | | | | |
| **TOTAL FUNDS** | $2,109,831 | $0 | $4,282,680 | $0 |

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 698 requires the Department of Health and Human Services (DHHS) Medicaid program to cover Continuous Glucose Monitors (CGM) for all eligible recipients who have a prescription for such a device. The effective date of the requirement is no later than January 1, 2023.

The estimate was based on the following:

Population estimate of 977 Medicaid eligible participants with Type I diabetes diagnosis during State Fiscal Year 2021. The impact is estimated using full participation of these participants and includes all age groups. Average annual expense estimate of CGMs is based on an article published May 2021 titled, “When You Can’t Afford a Continuous Glucose Monitor”. The article compared costs from five different retail vendors. The average annual costs ranged from $1,868 to $6,400. The average of these costs is $4,619 and used for State Fiscal Year (SFY) 2023. For SFY 2024 the average cost is increased by 1.5% to $4,688. The article is available at https://www.healthline.com/diabetesmine/when-you-cant-afford-a-cgm. The Department of Health and Human Services (DHHS) use of the average CGM cost is reasonable given that CGMs are not interchangeable and each CGM is not appropriate for all patient types. There are some CGMs that are more appropriate for pediatrics, others for adults, and others still require blood glucose finger sticks daily. Having the flexibility to determine which CGM is most clinically appropriate and cost effective is important which means it may not always be the lowest cost CGM product.

DHHS also estimated the potential savings that may be recognized if CGMs were prescribed and the need for and cost associated with current diabetic supplies discontinued. The estimated annual cost of supplies for test strips, lancets, and alcohol wipes is approximately $300. The total estimate is reduced by this offsetting cost and estimated at $146,550 ($300 * 977 *.5) for FY 2023. The estimated offset was increased by 1.5% for 2024 and is and $297,497.

The SFY 2023 estimates are 50% of the total because the bill takes effect on January 1, 2023.

The Division of Medicaid and Long-Term Care is evaluating appropriate clinical criteria, specifically for coverage for children and adults with Type 2 diabetes as well as prevalence of coverage for CGM already present for children as a result of coverage under Early and Periodic Screening, Diagnostic and Treatment, which could result in the necessity to modify the fiscal impact.

The population of individuals diagnosed with Type II Diabetes in State Fiscal Year 2021 was 4,751. If 100 % of this population is included in the estimate with supply cost offset the impact for Type II individuals would be $10,259,784 for 2023 ($4,322,447 State and $5,937,337 Federal) and for FY 2024 $20,826,008 ($8,773,997 State and $12,052,011 Federal).

**MAJOR OBJECTS OF EXPENDITURE**

PERSONAL SERVICES:

| POSITION TITLE | NUMBER OF POSITIONS 22-23 | NUMBER OF POSITIONS 23-24 | 2022-2023 EXPENDITURES | 2023-2024 EXPENDITURES |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Benefits | | | | |
| Operating | | | | |
| Travel | | | | |
| Capital Outlay | | | | |
| Aid | | | $2,109,831 | $4,282,680 |
| Capital Improvements | | | | |
| **TOTAL** | | | $2,109,831 | $4,282,680 |