

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3446-01
Bill No.: HB 1294
Subject: Drugs and Controlled Substances; Health Care; Health Care Professionals;
 Insurance - Medical; Pharmacy
Type: Original
Date: February 25, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$9,649,097)	(\$12,157,862)	(\$12,765,755)
Insurance Dedicated	\$9,850	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$9,639,247)	(\$12,157,862)	(\$12,765,755)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Revenues and expenditures would net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Conservation**, the **Department of Transportation**, and the **Department of Public Safety - Missouri State Highway Patrol** assume this proposal would not fiscally impact their agencies.

Officials from the **Department of Insurance (INS)** assume insurers and HMOs would be required to amend their policies to comply with this legislation. Amendments must be filed with INS. INS estimates that 171 insurers and 26 HMOs would be required to file at least one amendment to their policy form with a filing fee of \$50, resulting in revenue of \$9,850 in FY 2003. INS has reached capacity in policy form reviews and the additional workload created by this legislation would cause delays in policy form reviews. Additional staff are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments, the department would need to request additional staff to handle the increase in workload.

Officials from **Missouri Consolidated Health Care Plan (HCP)** state HCP's prescription drug benefit for state employees is a self-funded program administered by Express Scripts, Inc. The benefit structure allows a 90-day supply through mail order or at a pharmacy that has agreed to the mail order contract at retail. HCP states this proposal merely requires the plans to allow a member to receive a 90-day supply for certain medical conditions. The proposal does not state whether the services had to be rendered at retail and/or mail. Since this benefit is currently available as stated, HCP assumes this portion of the proposal does not fiscally impact HCP.

The Public Entity prescription drug program is administered by the fully funded plan they choose. The HMO's are regulated to offer the same quantity policies to all pharmacies in the network. Therefore, since all of the plans offer a 90-day supply through mail order, the retail pharmacies are allowed to provide a 90-day supply. The Public Entity PPO allows for a 90-day supply through mail order. However, there is an annual maximum of \$1,500. Since the members are allowed to receive a 90-day supply, HCP assumes the PE's are not fiscally impacted by this proposal.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** assume this proposal would require health carriers that provide pharmaceutical coverage to provide enrollees with a ninety-day supply of medication prescribed for chronic illnesses, if such quantity is authorized by a licensed physician. DMS defines acute drugs as prescriptions requiring sustained use for 31 days or less and are generally used to treat non-chronic illnesses. DMS defines maintenance drugs as prescriptions requiring patient use for 31 days or more and are used to treat chronic illnesses. DMS further states maintenance drugs are required by patients to sustain life or maintain health status.

ASSUMPTION (continued)

The DMS implemented a 31-day maximum supply restriction for all prescriptions dispensed on or after 12-01-00 at the direction of the State Legislature. The proposed legislation would require DMS to rescind the current policy.

DMS states a study done on all payors by the University of Arkansas for Medical Sciences, College of Pharmacy, DMS assumes that DMS would see a 5% increase in costs when going from a 31-day supply to a 90-day supply. The factors contributing to this increase in cost are attributed to increased use and waste. Waste appears to be a function of prescription changes, adverse drug reactions, and diminished needs.

DMS assumes 74% of pharmacy expenditures are for maintenance drugs. The Fee-for-Service pharmacy appropriation for FY 02 is \$744 million. Therefore, DMS assumes an extra cost of \$27,538,000 for maintenance drugs in FY 02 ($\$744,000,000 \times 74\% \times 5\%$).

In regard to managed care, DMS assumes that there would be additional costs as well. DMS assumes that the cost would be at the same rate as the fee-for-service. The managed care appropriation for FY 02 is \$486 million. DMS assumes that approximately 13% of managed care payments are for pharmacy costs. Therefore, DMS assumes an extra cost of \$2,337,660 ($\$486,000,000 \times 13\% \times 74\% \times 5\%$) for managed care.

DMS further assumed a 5% increase per year.

DMS states this proposal would also impact the prior authorizations that are currently being done by DMS. Some of the prior authorizations were implemented at the direction of the State Legislature. Often the prior authorization criteria will apply to a quantity/day supply component. However, DMS is unable to determine the extent of the reduction in savings at this time.

Therefore, DMS assumes increased costs of \$29,865,660 in FY 03; \$31,358,943 in FY 04; and \$32,926,890 in FY 05.

FISCAL IMPACT - State Government

FY 2003
(10 Mo.)

FY 2004

FY 2005

CM:LR:OD (12/01)

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE			
<u>Costs - Department of Social Services - Division of Medical Services</u>			
Increased pharmacy costs	<u>(\$9,649,097)</u>	<u>(\$12,157,862)</u>	<u>(\$12,765,755)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$9,649,097)</u>	<u>(\$12,157,862)</u>	<u>(\$12,765,755)</u>
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Form filing fees	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
FEDERAL FUNDS			
<u>Income - Department of Social Service - Division of Medical Services</u>			
Medicaid reimbursements	\$15,238,953	\$19,201,081	\$20,161,135
<u>Costs - Department of Social Services - Division of Medical Services</u>			
Increased pharmacy costs	<u>(\$15,238,953)</u>	<u>(\$19,201,081)</u>	<u>(\$20,161,135)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2003 (10 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small businesses could expect to be fiscally impacted due to increased health insurance premiums as a result of the requirements of this proposal.

DESCRIPTION

This proposal requires a health care provider to notify the collection entity of a payment received from a patient, insurance company, or third party if that account was turned over to a collection agency. When an insurance company or other third-party payor is responsible for payment, nonpayment will not be placed on the patient's credit report when the reason for the nonpayment is not caused by the patient.

The proposal also requires health carriers offering pharmaceutical coverage to provide enrollees with a 90-day supply of medication that is prescribed by a physician for a chronic illness.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
Department of Social Services
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation
Department of Public Safety -
Missouri State Highway Patrol



Mickey Wilson, CPA
Acting Director
February 25, 2002