

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1058-02
Bill No.: Perfected HCS for HB 315
Subject: Insurance - Medical; Insurance Department
Type: Original
Date: April 2, 2013

Bill Summary: This proposal requires a health carrier that provides coverage for prescription eye drops to cover a refill without regard to restriction for an early refill if it is authorized by the prescribing health care provider.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0 to (\$6,253)	\$0 to (\$13,818)	\$0 to (\$15,268)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$6,253)	\$0 to (\$13,818)	\$0 to (\$15,268)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Insurance Dedicated	Up to \$5,000	\$0	\$0
Road Fund	(Unknown less than \$50,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)
Other State Funds	\$0 to (\$1,538)	\$0 to (\$3,398)	\$0 to (\$3,755)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown less than \$50,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Federal Funds	\$0 to (\$2,460)	\$0 to (\$5,437)	\$0 to (\$6,007)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 to (\$2,460)	\$0 to (\$5,437)	\$0 to (\$6,007)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version of this legislation, officials from the **Missouri Department of Conservation** and **Department of Social Services** each assumed the proposal would not fiscally impact their respective agencies.

In response to a previous version of this legislation, officials from the **Missouri Consolidated Health Care Plan (MCHCP)** stated that their department currently has a limitation in place for certain eye drop prescriptions. In 2012, Quantity Level Limits (QLL) affected approximately 19 prescriptions that would otherwise have had a cost to the plan of \$4,500.

MCHCP also has a limitation on refilling prescriptions too soon, but allows exceptions for any of the following reasons:

1. Lost, stolen or broken prescriptions
2. A member leaves or enters a nursing home requiring a new prescription
3. An extra dispense is needed for school use for children grades K-12
4. Natural disasters
5. Travel

MCHCP assumes this legislation would allow members to receive additional eye drop prescriptions beyond the exceptions listed above. MCHCP's pharmacy benefit manager indicates there is very little abuse of eye drops. However, there could be some potential waste and stockpiling with multiple refills that would inhibit MCHCP's ability to control plan costs.

In 2012, MCHCP's pharmacy benefit manager rejected approximately 1,700 eye drop prescriptions or approximately \$79,000 in costs to the plan because the member was refilling too soon. The pharmacy benefit manager assumes about 80% of the prescriptions, or \$63,000 in costs to the plan, was approved after the original rejection because the member met exception criteria. MCHCP assumes the other 20%, or \$16,000, would not meet current exception criteria but would be approved under this legislation. Therefore, the fiscal impact to MCHCP is less than or equal to \$20,500 in the first year with minimal increases after the first year due to an estimated 10.5% annual drug trend.

In response to a previous version of this legislation, officials from the **Department of Insurance, Financial Institutions and Professional Registration** stated that insurers would be required to submit amendments to their policies to comply with the proposal. Policy

ASSUMPTIONS (continued)

amendments must be submitted to the department for review along with a \$50 filing fee. The number of insurance companies writing these policies in Missouri fluctuates each year. One-time additional revenues to the Insurance Dedicated Fund are estimated to be up to \$5,000.

Additional staff and expenses are not being required with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews the department will need to request additional staff to handle the increase in workload.

In response to similar legislation from last session, officials from the **Missouri Department of Transportation (MoDOT)** stated the proposed legislation prohibits health insurers from denying coverage for certain refills of prescription eye drops after January 1, 2013. The language requires health plans to provide renewal of drops when the renewal is requested by the insured prior to the date of the last day of the prescribed dosage period without regard to an early refill restriction as long as the prescribing provider authorized an early refill.

While the MoDOT/Missouri State Highway Patrol (MHP) Medical Plan would not fall under this definition of "health carrier," the Plan would arguably still be required to comply with the bill's requirements. If required to comply with the bill's requirements, this bill could have a fiscal impact on MoDOT/MHP Medical Plan. This bill prohibits the denial of coverage for the renewal of prescription eye drops and the Plan will be required to offer such coverage as well.

In a previous year, Independent Pharmaceutical Consultants, Inc. (IPC) reviewed the legislation on behalf of the MoDOT/MHP Medical Plan. According to IPC's review, the proposed language would impact the Plan. IPC provided a memorandum from the Centers for Medicare and Medicaid Services (CMS), dated June 2, 2010, discussing early refills edits on topical ophthalmic products. CMS recognizes the early refill edits are an important utilization management tool to promote compliance and prevent waste; however, it is important Part D sponsors implement such edits in a manner that does not members at risk of interruptions in drug therapy. They suggest Part D sponsors should be prepared to allow overrides of these edits on a case-by-case basis when appropriate and necessary to prevent interruptions in drug therapy. It is suggested to adopt the guidelines from the CMS memo for the entire populations, rather than issuing different guidelines for non-Medicare participants.

It is difficult to estimate the actual cost to the MoDOT Plan because there is no sure way of determining early refills requested at the pharmacy because the member's supply due to difficulty of administration. IPC pulled early refill rejections from 2010 and if all refills had been processed, the total cost to the Plan and the members would have totaled \$30,500. Also with the additional costs to the prescription drug plan, our member's rates would need to be increased to

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ASSUMPTIONS (continued)

ensure that the plan would have the required funds to support the additional costs. The impact cannot be determined; however, it would be less than \$100,000.

Oversight assumes the costs estimated by MCHCP would be distributed across state funds in the following percentages:

General Revenue	61% of \$20,500 = \$12,505
Other State Fund	15% of \$20,500 = \$3,075
Federal Funds	24% of \$20,500 = \$4,920

Oversight assumes the provisions of this proposal would become effective January 1, 2014; therefore, we will reflect six months of impact in FY 2014. Also, Oversight will utilize MCHCP's annual growth rate of 10.5% for drug costs.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (6 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Cost - MCHCP</u>			
Eye drop refill frequency could potentially increase.	<u>\$0 to (\$6,253)</u>	<u>\$0 to (\$13,818)</u>	<u>\$0 to (\$15,268)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 to (\$6,253)</u>	<u>\$0 to (\$13,818)</u>	<u>\$0 to (\$15,268)</u>
OTHER STATE FUNDS			
<u>Cost - MCHCP</u>			
Eye drop refill frequency could potentially increase.	<u>\$0 to (\$1,538)</u>	<u>\$0 to (\$3,398)</u>	<u>\$0 to (\$3,755)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0 to (\$1,538)</u>	<u>\$0 to (\$3,398)</u>	<u>\$0 to (\$3,755)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (6 Mo.)	FY 2015	FY 2016
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ROAD FUND

Costs - MoDOT

Increase in state share of health care costs	<u>(Unknown less than \$50,000)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>
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ESTIMATED NET EFFECT ON ROAD FUND	<u>(Unknown less than \$50,000)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>
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INSURANCE DEDICATED FUND

Revenue - DIFP

Policy amendments to be submitted to DIFP with a \$50 filing fee	<u>Up to \$5,000</u>	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>Up to \$5,000</u>	<u>\$0</u>	<u>\$0</u>
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FEDERAL FUNDS

Costs - MCHCP

Increase in state share of prescription drug costs	<u>\$0 to (\$2,460)</u>	<u>\$0 to (\$5,437)</u>	<u>\$0 to (\$6,007)</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0 to (\$2,460)</u>	<u>\$0 to (\$5,437)</u>	<u>\$0 to (\$6,007)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2014 (6 Mo.)	FY 2015	FY 2016
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Beginning on January 1, 2014, this proposal requires a health carrier that offers or issues plans that provide coverage for prescription eye drops to provide coverage for refilling the eye drop prescription prior to the last day of the insured's dosage period as long as the prescribing health care provider authorizes the early refill. Coverage must not be subject to any greater deductible or co-payment than other similar health care services provided by the health plan. The proposal exempts specified supplemental insurance policies from these provisions.

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

Missouri Department of Conservation
Department of Social Services
Missouri Consolidated Health Care Plan
Department of Insurance, Financial Institutions and Professional Registration
Department of Transportation



Ross Strobe
Acting Director
April 2, 2013