

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3774-02
BILL NO.: HB 1711
SUBJECT: Elderly; Health Care; Medicaid; Pharmacy
TYPE: Original
DATE: February 14, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$459,499)	(\$887,053)	(\$444,117)
Total Estimated Net Effect on <u>All</u> State Funds	(\$459,499)	(\$887,053)	(\$444,117)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
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 Health** and the **Department of Economic Development - Division of Professional Registration** assume this proposal would not fiscally impact their agencies.

Department of Social Services (DOS) officials assume this proposal would only apply to prescription charges for Medicare recipients billed by pharmacies who participate in the Medicaid program and does not apply to the Medicaid Fee-for-Service pharmacy claims.

DOS states the proposal would require pharmacies that participate in the Medicaid program to charge Medicare recipients an amount equal to the current Medicaid program plus other costs. The proposal specifically mentions current Medicaid rate plus transmission cost and cost of adjudication. The proposal states that the rate shall be determined from calculations performed on operating cost of community pharmacies as it appears in the most recent publication of NCPA - Searle Digest. DOS assumed that this was specifically addressing how much dispensing fee cost should be included in the charge amount. The proposal does not mention that the rate should also include the ingredient cost but DOS assumes that the ingredient cost would be included in the rate by this proposal and would continue to be determined based on current Medicaid policy. DOS assumes that the required charge would be calculated as ingredient cost plus cost of claim transmission plus cost of adjudication plus dispensing fee.

DOS states the proposal does not dictate how the department is supposed to provide the current Medicaid reimbursements to the pharmacies but seems to infer that the current POS claims adjudication system should be used since the cost of claim transmission would be included in the total charge. DOS assumes the best avenue to provide this information to the pharmacies would be for the pharmacies to send a POS transaction through existing networks. DOS would respond with the total charge amount as calculated above.

DOS assumes that the dispensing fee would be determined based on calculations information from the NCPA - Searle Digest. DOS states that in the event the digest is no longer published and no successor publication exists, DOS would be required to conduct a cost of dispensing survey at least every two years to determine the cost to fill a prescription. DOS assumes that the NCPA - Searle Digest or a successor publication would exist and therefore did not include any costs for conducting a cost of dispensing fee survey.

The proposal would require DOS to monitor recipient participation. DOS assumes that intent of the portion of the proposal was only to monitor the number of people who participate. DOS feels ASSUMPTION (continued)

that they can estimate the number of Medicare eligibles in Missouri with no pharmacy coverage. DOS assumes that the provider would submit the recipient's Medicare number along with the NDC, quantity, and date of service. By providing the Medicare number, DOS would know the number of recipients participating, number of claims per person, etc. However, DOS would not be able to verify that the information is 100% correct. For instance, if a provider inadvertently entered an incorrect Medicare number, DOS would overstate the actual participation rate. If DOS is required to enroll the recipients for the purpose of validation of the participation rate it would require significant time and resources which were not included in this fiscal note.

DOS assumes that they would not be responsible for monitoring the providers to ensure that the total charge billed to the Medicare recipient is not in excess of the total charge as described above. If DOS is required to perform additional monitoring than described above it would require significant time and resources which were not included in this fiscal note. The proposal requires DOS to monitor provider participation in the Medicaid program; specifically reasons that providers terminated. DOS currently does not monitor this but feel that they could perform this monitoring with existing staff and resources.

Based on experiences in the state of California, DOS assumes it would be necessary to request one FTE. The staff person would be needed to handle the questions from the pharmacies as a result of this proposal. The staff person is a correspondence and information specialist. DOS estimates it would cost \$300,000 to make the necessary system changes to process these transactions. Since the transactions would be for non-Medicaid eligibles, DOS assumes that there would be no federal matching funds available. DOS estimates that the adjudication cost would be seven cents to process these transactions. DOS also estimates that there would be 12,000,000 transactions per year which would yield a yearly cost of \$840,000 to DOS. This cost would also be General Revenue since the claims processing would be done for non-Medicaid eligibles. DOS estimates that one Correspondence and Information Specialist would be necessary to respond to phone calls and correspondence that would be generated as a result of this proposal.

Oversight assumes there would be costs for the last six months in FY2001, twelve months in FY2002, and the first six months in FY2003.

FISCAL IMPACT - State Government

FY 2001
(6 Mo.)

FY 2002

FY 2003
(6 Mo.)

GENERAL REVENUE FUND

MPW:LR:OD:005 (9-94)

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003 (6 Mo.)
<u>Costs - Department of Social Services</u>			
Personal services	(\$17,233)	(\$35,326)	(\$18,105)
Fringe benefits	(\$5,299)	(\$10,863)	(\$5,567)
Expense and equipment	<u>(\$436,967)</u>	<u>(\$840,864)</u>	<u>(\$420,445)</u>
Total <u>Costs</u> - DOS	<u>(\$459,499)</u>	<u>(\$887,053)</u>	<u>(\$444,117)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$459,499)</u>	<u>(\$887,053)</u>	<u>(\$444,117)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business pharmacies would expect to be fiscally impacted to the extent they would incur additional administrative costs as a result of the requirements of this proposal.

DESCRIPTION

This proposal would set a limit that pharmacies participating in the Medicaid program may charge Medicare recipients for their prescriptions. Such charges would be limited to the current Medicaid reimbursement rate for the prescription drug, plus an amount established by the Division of Medical Services within the Department of Social Services to cover the costs to pharmacies of claims transmission and to cover any adjudication costs incurred by the division. The rate would be determined by consulting the most recent publication of NCPA-Searle Digest or, if the digest would be no longer published, through a dispensing cost survey conducted by the division at least once every 2 years. The division would determine the manner in which to transmit information on the rate for a prescription to the pharmacy. The division would also submit an annual report to the General Assembly by January 1, describing the participation rates, the number of pharmacies terminating their participation in the Medicaid program, and the reasons given for such termination. The proposal would also provide that the health care utilization review process outlined in existing statutes would not apply to this program. If new DESCRIPTION (continued)

prescription drugs would be added to the Medicare program, the appropriate committees within

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the General Assembly would evaluate whether to continue providing Medicare prescriptions at the Medicaid rate. The provisions of the proposal would be effective January 1, 2001, and terminate on December 31, 2002.

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 Social Services
Department of Health
Department of Economic Development
Division of Professional Registration



Jeanne Jarrett, CPA
Director
February 14, 2000