

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3455-01  
Bill No.: HB 987  
Subject: Drugs and Controlled Substances; Health Care; Health Department; Pharmacy  
Type: Original  
Date: April 7, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$1,634,370)	(\$1,937,099)	(\$1,993,112)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$1,634,370)</b>	<b>(\$1,937,099)</b>	<b>(\$1,993,112)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Department of Economic Development - Division of Professional Registration**, the **Department of Public Safety - Missouri State Highway Patrol**, the **Office of State Courts Administrator**, and the **Department of Social Service** assume this proposal would not fiscally impact their agencies.

Officials from the **Office of the Secretary of State (SOS)** state this proposal instructs the Department of Health and Senior Services to establish and maintain a system to monitor the prescribing and dispensing of controlled substances and coordinate this information with the Board of Pharmacy. The Department of Health and Senior Services may promulgate rules to enact this legislation. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Health and Senior Services could require as many as 24 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$1,476 in FY 05.

ASSUMPTION (continued)

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Health and Senior Services (DOH)** assume the following:

Population of the state of Missouri 2000 (Source: US Census Bureau) – 5,595,221  
Population of the state of Missouri 2001 estimated (Source: US Census Bureau) – 5,629,707  
Use 5.6 million  
Population of the state of Kentucky 2000 (Source: US Census Bureau) – 4,041,769  
Population of the state of Kentucky 2001 (Source: US Census Bureau) – 4,065,556  
Use 4.1 million

Per Department of Social Services - Division of Medical Services:

Missouri Medicaid eligibles: 975,288

Missouri Medicaid eligibles enrolled in a managed care plan: 443,748

Missouri Medicaid fee-for-service (ffs) eligibles:  $975,288 - 443,748 = 531,540$

Controlled Substance (CS) prescriptions for Medicaid ffs eligibles: 137,755/month using  
December 2003 Assume that December is representative of remaining 11 months:  
 $1,653,060$  Rx per year

Rate of CS prescriptions per eligible:  $137,755 / 531,540 = 0.25916$  CS Rx per eligible  
Use 0.26 CS Rx per eligible per month

Assume that utilization of CS by the general population is consistent with that experienced by the  
Missouri Medicaid fee-for-service pharmacy program.

$5,600,000$  individuals  $\times 0.26$  CS Rx/individual =  $1,456,000$  CS Rx per month

$1,456,000 \times 12 = 17,472,000$  CS Rx per year

Statistics from Kentucky prescription monitoring program:

Reporting of 40.6 million Rx has been received over the five years of the program.

$40,600,000 / 5 = 8,120,000$  CS Rx per year

Rx are reported by 2,100 licensed pharmacies

Requests for reports from practitioners, etc. have increased from an initial 100 requests  
per day to close to 500 requests per day, 85% of which are from practitioners.

Reports are provided to practitioners free of charge.

The program is reportedly seeking \$1.4 million in additional operating funds to meet  
costs related to increased usage by all users, particularly physicians.

ASSUMPTION (continued)

Staffing:

One Public Health Manager (1) will be needed initially to develop a grant request for DEA funds and prepare required reporting to the DEA based on the conditions of any grant received. This individual will also draft a Request for Proposal to solicit bids for the required database. Once the contract is awarded, this individual will be needed on an ongoing basis to monitor the database contract and program, maintain ongoing communication with professional organizations regarding compliance with reporting requirements, and other state and local agencies and the public regarding the program. This individual will also be responsible for coordinating with investigative management of the BNDD for enforcement activities.

One Health Program Representative (III) will be required to develop policies and procedures for reporting by dispensers, access to data by authorized parties; provide technical assistance to program participants on matters relating to the program; supervise subordinate staff involved in program implementation; design and prepare reports of program data; and review data collected to determine trends. This individual will work with the contractor to develop effective report formats for program participants and interested parties.

One Administrative Office Support Assistant will be required to provide the complex administrative assistance required by the Public Health Manager and Health Program Representative and to provide supervision to subordinate staff. Duties will also include tracking of activities required under the contract and coordination of communication with other agencies and the public.

One Senior Office Support Assistant will be required to log requests from program participants and interested parties for reports from the database and for tracking response to those requests. This individual will be responsible for direct supervision of support staff generating requested reports and for responding the telephone inquiries regarding the program.

Five Office Support Assistants, to be hired as needed to respond to the volume of requests for database reports received. These individuals will generate and e-mail, or generate, print and fax the requested reports as requested by authorized individuals and agencies. Kentucky initially received 100 requests per day. The Kentucky program now receives and processes close to 500 requests per day.

Two Investigator III positions would be needed to respond to the additional cases identified through access to prescription data. These individuals would also be responsible for educating and assisting other state and local agencies in interpreting and applying the data available with regard to state controlled substance law.

ASSUMPTION (continued)

Revenue:

The language in the bill does not specifically allow for charging a fee for information or reports, no revenue is being shown on the fiscal note worksheet. Additionally, there may possibly be grant money available through the DEA for start up costs for this type of program; however, since those grant monies are through a competitive award process, one-time revenue from a grant is not being shown on the fiscal note worksheet.

Database contractor:

The start up cost of the Kentucky database was \$415,000 in 1999. Assume that this would translate to \$650,000 in 2004 dollars (10% increase each year)

If contract cost were to be calculated based upon volume of prescription data maintained (worst case scenario), then the cost for Missouri could be estimated at:

8,120,000 CS Rx in KY per year is to 17,472,000 CS Rx in MO per year as

\$650,000 is to X.

X = \$1,400,000

The FY05 cost for the database contractor is shown as \$1,200,000 that would include initial development costs of \$500,000 and costs for 6 months based upon volume of prescription data maintained on the database. The FY06 and FY07 costs for the database contractor are shown based upon volume of prescription data maintained on the database.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
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**GENERAL REVENUE**

Costs - Department of Health and Senior  
Services

Personal Services (11 FTE)	(\$241,388)	(\$296,907)	(\$304,329)
Fringe Benefits	(\$99,935)	(\$122,919)	(\$125,992)
Expense and Expense	<u>(\$1,293,047)</u>	<u>(\$1,517,273)</u>	<u>(\$1,562,791)</u>

**ESTIMATED NET EFFECT ON  
GENERAL REVENUE**

<u><b>(\$1,634,370)</b></u>	<u><b>(\$1,937,099)</b></u>	<u><b>(\$1,993,112)</b></u>
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FISCAL IMPACT - Local Government

FY 2005  
(6 Mo.)

FY 2006

FY 2007

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

Effective January 1, 2005, this proposal establishes the Prescription Monitoring Program in the Department of Health and Senior Services (DOH). In its main provisions, the proposal:

- (1) Requires the program to monitor the prescribing and dispensing of all Schedule II through Schedule V controlled substances by all licensed professionals who prescribe or dispense these substances in Missouri;
- (2) Requires the dispenser to electronically submit to the DOH information for each prescription and specifies the frequency of the submissions;
- (3) Allows the DOH to issue a waiver to a dispenser who is unable to submit the required information electronically. If a waiver is obtained, a dispenser can submit the required information in paper format or by other approved means;
- (4) Requires all submitted prescription information to be confidential. Exceptions to this requirement include violations of law or breach of professional standards which result in an investigation and the submission or the release of prescription information to authorized persons;
- (5) Authorizes the release of non-personal, general information for statistical, educational, and research purposes;
- (6) Authorizes the DOH to contract with other state agencies or private vendors to implement the bill;
- (7) Requires the DOH to develop rules to implement the proposal; and
- (8) Contains penalty provisions for dispensers and authorized persons who violate provisions of the proposal.

DESCRIPTION (continued)

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 Economic Development -  
Division of Professional Registration  
Department of Public Safety -  
Missouri State Highway Patrol  
Office of State Courts Administrator  
Department of Social Service  
Office of the Secretary of State  
Department of Health and Senior Services



Mickey Wilson, CPA  
Director  
April 7, 2004