

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5364-01  
Bill No.: HB 1904  
Subject: Drugs and Controlled Substances; Insurance - Medical  
Type: Original  
Date: March 15, 2006

---

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Insurance Dedicated	\$0 to \$5,000	\$0	\$0
Conservation	(Unknown less than \$50,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)
Highway - Highway Patrol	(Unknown)	(Unknown)	(Unknown)
Road	(Unknown)	(Unknown)	(Unknown)
All Other	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Federal	(Unknown less than \$10,600)	(Unknown less than \$21,200)	(Unknown less than \$21,200)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(Unknown less than \$10,600)</b>	<b>(Unknown less than \$21,200)</b>	<b>(Unknown less than \$21,200)</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Department of Public Safety (DPS) - Director's Office** and **Department of Economic Development - Division of Professional Registration** assume the proposal will have no fiscal impact on their organization.

Officials from the **DPS - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of the proposal on their organization.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** assume that any changes made to Section 376, RSMo, applies to Medicaid. If this is not the intent of the legislation, a specific exclusion needs to be considered in the legislation.

The proposed legislation requires any health carrier or health benefit plan which provides prescription drug coverage, to impose one co-payment when a drug is prescribed in a dosage amount for which the particular prescription drug is not available and requires dispensing the particular drug in a combination of different dosage amounts.

As far as the DMS is aware, there is no requirement of this nature in the Medicare Part D program. Therefore, the language in the proposed legislation appears to be inconsistent with the Medicare Part D program.

ASSUMPTION (continued)

Since the co-payment is not deducted on pharmacy claims, there is no fiscal impact on the Pharmacy program. There would be some non-fiscal impact related to system changes in relation to the Missouri RX program and the coordinated benefits with the Part D program. However, there is no fiscal impact to the DMS.

Officials from the **Department of Insurance (INS)** estimate approximately 100 insurers may be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$0 to \$5,000.

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

Officials from the **Missouri Department of Conservation (MDC)** state the proposal would have an unknown fiscal impact on MDC funds. However, it is expected the impact will be less than \$100,000 annually.

Officials from the **Missouri Department of Transportation (DOT)** state the legislation was reviewed by DOT's pharmaceutical consultant, IPC, Inc. IPC, Inc. indicated the language in HB 1904 requires one copay to be spread over two claims for different National Drug Code (NDC) # drugs under certain situations. Every drug has an individual NDC# assigned, even the same drug prescribed in different strengths (20mg, 30mg, etc.). This presents many important administrative concerns for a prescription drug benefit plan.

The State Board of Pharmacy requires each pharmacy to log each prescription for each drug for each patient within their prescription file within their store. These individual prescription drug records are the basis for billing prescription drug claims and assigning copays at the providing pharmacy. To require a common copay be assigned to more than one prescription claim record is virtually an administrative impossibility, which may put many well intended health benefit plan sponsors at risk for non-compliance without a process to comply.

The DOT and Missouri State Highway Patrol (MSHP) Medical Plan is in a better position than most plans with its percent copay per claim benefit design, compared to plans that have a fixed dollar copay for each claim. The DOT does have some medications on a maximum fixed copay that would be a concern, but generally the percent copay paid by the member for each claim is equal to a percentage of the combined claim cost of the covered medication, be it one drug or two different drugs, allowing the DOT to comply with this administrative requirement, unless the

ASSUMPTION (continued)

legislation would only allow it to apply the percent copay to one medication strength if multiple strengths of the same medication are prescribed. (Example: Allegra prescribed in 20 mg, 30 mg and 40 mg strengths and the plan could only apply the percent copay to the 20 mg prescription).

Compliance with this requirement of one copay for two or more medication would be a concern, especially for medications which the DOT has established maximum fixed copay amounts for the more expensive and critical treatment medication. If this proposal becomes law, the DOT may want to review eliminating the maximum fixed copay feature from their benefit to allow for compliance with this provision, even though it would be considered a detriment to the member receiving the benefit of the maximum copay for those expensive life prolonging treatments.

There would not be a fiscal impact to the Missouri Highway Transportation Commission (MHTC), however, there could be a fiscal impact to the DOT and MSHP Medical Plan. The costs could be a penalty for not being able to comply due to pharmacy regulations, and if we can comply, the amount of copay that would have been paid by the member for each dosage versus the single copay for two or more medications. That fiscal impact cannot be determined.

Historically, the department and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the Medical Plan, MHTC, MoDOT and patrol must make a decision on how to fund the increase; until then, here are the total costs of the legislation.

**Oversight** is presenting DOT's unknown costs to General Revenue, the Highway Fund, the Road Fund, and Other State Funds.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state forecasting the financial impact of imposing one co-payment for a single prescription drug is extremely difficult and therefore, unknown. Currently HCP benefits require two co-payments be charged in the event that two prescriptions are required to fill a certain dosage. With this legislation, the health plan would take on the co-payment amount that would have been paid by the member for each dosage versus the single co-payment for two or more medications. Because it is not know how may prescriptions would require a combination of dosages, the fiscal impact cannot be determined. However, HCP assumes the impact would be less than \$100,000.

Public Entities choose their own plans and the pharmacy benefit varies between plans. Therefore, HCP cannot determine the fiscal impact to Public Entities and assumes an unknown cost for these entities.

**Oversight** assumes changes to health insurance plans would not be effective until January 1, 2007.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (6 Mo.)	FY 2008	FY 2009
<b>GENERAL REVENUE</b>			
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in premium/drug co-payment costs	(Unknown less than \$33,370)	(Unknown less than \$66,740)	(Unknown less than \$66,740)
<u>Costs - Missouri Department of Transportation</u>			
Increase in premium/drug co-payment costs	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>INSURANCE DEDICATED FUND</b>			
<u>Income - Department of Insurance</u>			
Form filing fees	<u>\$0 to \$5,000</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<u><b>\$0 to \$5,000</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
<b>CONSERVATION FUND</b>			
<u>Costs - Missouri Department of Conservation</u>			
Increase in premium/drug co-payment costs	(Unknown less than \$50,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)
<b>ESTIMATED NET EFFECT ON CONSERVATION FUND</b>	<u>(Unknown less than \$50,000)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>

FISCAL IMPACT - State Government

FY 2007  
(6 Mo.)

FY 2008

FY 2009

**HIGHWAY FUND - HIGHWAY  
PATROL**

Costs - Missouri Department of  
Transportation

Increase in premium/drug co-payment  
costs

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON  
HIGHWAY FUND - HIGHWAY  
PATROL**

**(Unknown)**

**(Unknown)**

**(Unknown)**

**ROAD FUND**

Costs - Missouri Department of  
Transportation

Increase in premium/drug co-payment  
costs

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON  
ROAD FUND**

**(Unknown)**

**(Unknown)**

**(Unknown)**

**OTHER STATE FUNDS**

Costs - Missouri Consolidated Health  
Care Plan

Increase in premium/drug co-payment  
costs

(Unknown less  
than \$6,030)

(Unknown less  
than \$12,060)

(Unknown less  
than \$12,060)

Costs - Missouri Department of  
Transportation

Increase in premium/drug co-payment  
costs

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON  
OTHER STATE FUNDS**

**(Unknown)**

**(Unknown)**

**(Unknown)**

<u>FISCAL IMPACT - State Government</u>	FY 2007 (6 Mo.)	FY 2008	FY 2009
---	--------------------	---------	---------

**FEDERAL FUNDS**

Costs - Missouri Consolidated Health  
 Care Plan

Increase in premium/drug co-payment costs	<u>(Unknown less than \$10,600)</u>	<u>(Unknown less than \$21,200)</u>	<u>(Unknown less than \$21,200)</u>
--	---	---	---

**ESTIMATED NET EFFECT ON  
 FEDERAL FUNDS**

<u>(Unknown less than \$10,600)</u>	<u>(Unknown less than \$21,200)</u>	<u>(Unknown less than \$21,200)</u>
---	---	---

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (6 Mo.)	FY 2008	FY 2009
---	--------------------	---------	---------

**LOCAL GOVERNMENTS**

Costs - Local Governments

Increase in premium/drug co-payment costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
--	------------------	------------------	------------------

**ESTIMATED NET EFFECT ON  
 LOCAL GOVERNMENTS**

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
------------------	------------------	------------------

FISCAL IMPACT - Small Business

The proposal may impact small businesses that provide health insurance coverage for employees if premiums increase as a result of the provisions of the proposal.

DESCRIPTION

This proposal requires health insurers to charge only one co-payment on a prescription if the required dosage is not available and a combination of dosage amounts must be dispensed to fill the prescription.

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



Mickey Wilson, CPA  
Director  
March 15, 2006