

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2012-01
Bill No.: HB 932
Subject: Insurance - Medical; Drugs and Controlled Substances
Type: Original
Date: March 31, 2015

Bill Summary: This proposal changes the laws regarding step therapy for prescription drugs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$1,888,520)	(\$2,083,464)	(\$2,333,236)
Total Estimated Net Effect on General Revenue	(\$1,888,520)	(\$2,083,464)	(\$2,333,236)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Insurance Dedicated	\$93,152	(\$99,331)	(\$100,582)
Other State Funds	(\$441,750)	(\$487,350)	(\$545,775)
Total Estimated Net Effect on Other State Funds	(\$348,598)	(\$586,681)	(\$646,357)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal Funds	(\$769,730)	(\$849,186)	(\$950,989)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$769,730)	(\$849,186)	(\$950,989)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Insurance Dedicated	1	1	1
Total Estimated Net Effect on FTE	1	1	1

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume this proposal would affect their department in that their vendor, Express Scripts, provides the utilization management of their prescription benefit. This legislation removes step therapy as a feasible tool. In CY14, step therapy saved MCHCP \$2.5 million. Without this program, MCHCP estimates the fiscal impact to be \$3.1 million in FY16, \$3.42 million in FY 17 and \$3.83 million in FY18. MCHCP's cost are allocated to the following funds: General Revenue 60.92%, Other State Funds 14.26% and Federal Funds 24.83%.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume this proposal would apply to all health plans with prescription drug benefits, excluding HMOs. The department anticipates around 4,000 one-time filings to comply with the new law that would generate \$200,000 in revenue to the Insurance Dedicated Fund. The processing of one-time filings could be handled within current FTE and appropriation. In addition and going forward, the department anticipates one certification per year per health plan, or around 400 filings, which would generate \$20,000 in revenue annually to the Insurance Dedicated Fund. The department will need an additional Market Conduct Examiner II (annual salary of \$75,725) with medical training to review and process the annual certifications. In summary, this adjusts to a positive impact in FY16 at \$93,152, negative \$99,331 in FY17 and negative \$100,582 in FY18.

Officials from the **Department of Health and Senior Services, the Department of Mental Health, the Missouri Department of Conservation, and the Department of Social Services** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to Department of Transportation for fiscal impact.

Officials from the **Department of Transportation** did not respond to **Oversight's** request for fiscal impact.

Oversight's notes that the following was included in the description of the 2015 Prescription Drug Plan on MCHCP's website:

- ▶ Step therapy is designed for people who have certain ongoing medical conditions that require them to take medications on a regular basis.
- ▶ MCHCP uses step therapy to ensure members get the safest drugs at the best cost possible before moving to a more costly therapy.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Costs - MCHCP</u>			
Increased costs for prescription drugs	<u>(\$1,888,520)</u>	<u>(\$2,083,464)</u>	<u>(\$2,333,236)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$1,888,520)</u>	<u>(\$2,083,464)</u>	<u>(\$2,333,236)</u>
INSURANCE DEDICATED FUND			
<u>Revenue - DIFP</u>			
Fee Income	\$200,000	\$20,000	\$20,000
<u>Costs - DIFP</u>			
Salaries	(\$63,104)	(\$76,482)	(\$77,247)
Fringe Benefits	(\$32,186)	(\$39,010)	(\$39,400)
Equipment Expenses	<u>(\$11,558)</u>	<u>(\$3,839)</u>	<u>(\$3,935)</u>
<u>Total Costs - DIFP</u>	<u>(\$106,848)</u>	<u>(\$119,331)</u>	<u>(\$120,582)</u>
FTE Change - DIFP	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$93,152</u>	<u>(\$99,331)</u>	<u>(\$100,582)</u>
Estimated Net FTE Change on the Insurance Dedicated Fund	1 FTE	1 FTE	1 FTE
OTHER STATE FUNDS			
<u>Costs - MCHCP</u>			
Increased costs for prescription drugs	<u>(\$441,750)</u>	<u>(\$487,350)</u>	<u>(\$545,775)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(\$441,750)</u>	<u>(\$487,350)</u>	<u>(\$545,775)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
FEDERAL FUNDS			
<u>Costs - MCHCP</u>			
Increased costs for prescription drugs	<u>(\$769,730)</u>	<u>(\$849,186)</u>	<u>(\$950,989)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(\$769,730)</u>	<u>(\$849,186)</u>	<u>(\$950,989)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

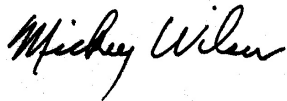
FISCAL DESCRIPTION

This proposal changes the law regarding step therapy for prescription drugs.

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 Insurance, Financial Institutions and Professional Registration
Missouri Consolidated Health Care Plan
Department of Health and Senior Services
Department of Social Services
Department of Mental Health
Department of Public Safety - Missouri Highway Patrol
Missouri Department of Conservation



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March 31, 2015

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