

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0190-01
Bill No.: HB 169
Subject: Drugs and Controlled Substances; Health Care; Pharmacy
Type: Original
Date: February 23, 2005

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| Missouri Senior Rx Fund | \$13,843,192 | \$27,686,383 | \$27,686,383 |
| Missouri Senior Prescription Drug Plan Fund* | (\$13,843,192) | (\$27,686,383) | (\$27,686,383) |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

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

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri House of Representatives**, the **Department of Insurance**, the **Department of Social Services**, the **State Treasurer's Office**, the **Missouri Lieutenant Governor**, the **Missouri Senate** and the **Department of Mental Health** assume this proposal would not fiscally impact their agencies.

The **Office of Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Health and Senior Services (DOH)** assume this legislation would take effect with Medicare Part D, scheduled to begin in January 2006. The DOH assumes the current Senior Rx staff (17), less the staff working on the rebate program (5), would be sufficient to staff the new Plan, so twelve (12) personnel and related E&E costs are included in this fiscal note.

ASSUMPTION (continued)

DOH makes the following assumptions:

Potential Enrollment

- Census data for seniors below 200% of the federal poverty level was obtained from the state's demographer.
- For seniors below 150% of the federal poverty level, only those with assets above \$10,000 (single) and \$20,000 (married) would not meet the asset test and therefore would not be eligible for the federal low-income assistance program and would be eligible for the proposed Senior Rx Plan.
- Estimating the number of seniors that would not meet the assets test has been problematic. DOH has consulted the federal Department of Health and Human Services, reports from the Kaiser Foundation, a private firm, and the Missouri Division of Medical Services, and the Office of Social and Economic Analysis (OSED) with the University of Missouri. All sources agree that there is no data available on assets of low-income Missouri seniors. The Congressional Budget Office estimates of those that nationally would not meet the asset test range from 5% to 28% for those under 150% of the FPL. All sources did agree that the number of seniors that would not meet the asset test for the federal low-income subsidy would be quite low. For the purpose of this fiscal note DOH estimates that 10% of Missouri seniors below 150% of the poverty level would not meet the federal assets test and would qualify for the new Senior Rx Plan.
- DOH further assumes all seniors that both qualify for and would benefit from the Program would enroll.

Drug Costs

- Estimates of drug utilization and costs were based on those experienced by the Senior Rx Program in fiscal year 2004.
- Drug costs are estimated to increase by 7% per year.
- This bill allows for the anticipated growth in the gap under Medicare Part D. As the gap grows, the initial dollar amount paid by Medicare will also increase. DOH expects that very few members enrolled in the new plan will reach drug expenditures beyond the 2006 catastrophic threshold of \$5,100.

Personnel and Related Costs

- DOH assumes that the current Senior Rx Program staff would be sufficient staff to meet the needs of the new Plan.

ASSUMPTION (continued)

Drug Utilization

During FY2004, 23% of Senior Rx members had drug costs high enough to reach the coverage gap, with an average drug cost in the coverage gap of \$1,162.

Assuming that drug costs increase at an average rate of 7% per year, the average coverage gap amount the State would have to pay on in 2006 would be \$665 $((\$1,162 + 14\%) / 2)$ for each senior that reached the gap for the 6 months. Then in 2007, for the full year the costs would be \$1,424 $(\$1,162+21\%)$.

| | FY 06 | FY07 | FY08 |
|---|-------------|--------------|--------------|
| Number of Potential Senior Covered | 106,721 | 106,721 | 106,721 |
| % of Seniors that would have drug costs in the coverage gap | 11.5% | 23% | 23% |
| Potential number of Seniors with drug costs in the coverage gap | 12,273 | 24,546 | 24,546 |
| Average drug costs in the coverage gap | \$665 | \$1,424 | \$1,523 |
| Total drug costs in the coverage gap | \$8,161,488 | \$34,940,989 | \$37,383,299 |
| State's share of those costs | 75% | 75% | 75% |
| Drug costs for the State | \$6,121,116 | \$26,205,742 | \$28,037,474 |

The DOH estimates the drug and coordination costs to be \$6,291,984 in FY 06, \$26,582,506 in FY 07 and \$28,452,857 in FY 08. DOH estimates total costs of the program (including personal service, expense and equipment, and drug and coordination costs) to be \$6,704,258 in FY 06, \$27,428,044 in FY 07, and \$29,319,921 in FY 08.

Oversight assumes Section 208.575.3 of this proposal which states, "... If in any fiscal year the commission projects that the total cost of the plan will exceed the amount currently appropriated for the plan, the commission may request a supplemental appropriation to fund the plan or may direct the prescription drug plan sponsor to implement cost control measures to reduce the projected costs..." means the plan is limited to the current appropriation of \$27,686,383. If costs would exceed that currently appropriated in any given year, **Oversight** cannot predict whether

ASSUMPTION (continued)

there would be a supplemental appropriation or whether cost control measures would be implemented. Therefore, **Oversight** will present the cost of the program as a maximum of \$13,843,192 in FY 06, and \$27,686,383 in both FY 07 and FY 08.

Officials from the **Office of the Secretary of State (SOS)** state this proposal establishes procedures for establishing the Missouri Senior Prescription Plan. 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 06.

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.

| | | | |
|---|----------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2006 | FY 2007 | FY 2008 |
| | (10 Mo.) | | |

MISSOURI SENIOR Rx FUND

Savings - Department of Health and Senior Services

Missouri Senior Prescription Drug Program

| | | |
|--------------|--------------|--------------|
| \$13,843,192 | \$27,686,383 | \$27,686,383 |
|--------------|--------------|--------------|

ESTIMATED NET EFFECT ON SENIOR Rx FUND

| | | |
|---------------------|---------------------|---------------------|
| <u>\$13,843,192</u> | <u>\$27,686,383</u> | <u>\$27,686,383</u> |
|---------------------|---------------------|---------------------|

**MISSOURI SENIOR
 PRESCRIPTION DRUG PLAN FUND**

Costs - Department of Health and Senior
 Services

| | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|
| Total cost of program | <u>(\$13,843,192)</u> | <u>(\$27,686,383)</u> | <u>(\$27,686,383)</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|

**ESTIMATED NET EFFECT ON
 MISSOURI SENIOR
 PRESCRIPTION DRUG PLAN
 FUND***

*Subject to Appropriations

| | | | |
|--|-----------------------|-----------------------|-----------------------|
| | <u>(\$13,843,192)</u> | <u>(\$27,686,383)</u> | <u>(\$27,686,383)</u> |
|--|-----------------------|-----------------------|-----------------------|

FISCAL IMPACT - Local Government

FY 2006
 (10 Mo.)

FY 2007

FY 2008

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal establishes the Missouri Senior Prescription Drug Plan which closes the standard drug benefit coverage gap created by the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

To be eligible for the program, a person must be at least 65 years old and have an income between 150% and 200% of the federal poverty level.

The Missouri Senior Prescription Drug Plan Commission is established to contract with prescription drug plan sponsors, adjust fee payments, set and adjust co-insurance amounts, apply for federal waivers and grants, and promulgate rules. Within the commission the Missouri Senior Prescription Drug Plan Clearinghouse is established to assist and educate citizens in accessing prescription drug programs and provide information on eligibility, enrollment, and benefits of the plan.

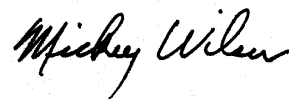
The Missouri Senior Rx Program will terminate after the Medicare Prescription Drug, Improvement and Modernization Act of 2003 has been fully implemented.

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

Secretary of State
Missouri House of Representatives
Department of Mental Health
Office of Attorney General
Department of Health and Senior Services
Department of Social Services
Department of Insurance
Missouri Senate
State Treasurer's Office
Missouri Lieutenant Governor



Mickey Wilson, CPA
Director
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