

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0925-01
Bill No.: HB 204
Subject: Drugs and Controlled Substances; Elderly; Social Services Department
Type: Original
Date: February 16, 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	(\$13,186,231)	(\$17,574,674)	(\$22,304,398)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$13,186,231)	(\$17,574,674)	(\$22,304,398)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 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 **Department of Social Services** assume this proposal would not fiscally impact their agency.

Officials from the **Office of the Secretary of State (SOS)** state this proposal modifies the Senior Rx Program to require the continued enrollment unless the enrollee opts out of the program. 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 8 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of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn.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 \$492 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

ASSUMPTION (continued)

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 - Senior Rx (DOH)** state this proposal does duplicate a similar program. Beginning in January 2006, Medicare Part D pays 75% of drug cost benefits after a \$250 deductible up through \$2,250 drug expenditures.

The DOH has in the fiscal year 2006 budget request a full program year for the Senior Rx Program. Since the current sunset of the program is December 31, 2005, the costs for January - July are in this fiscal note.

DOH states since Medicare Part D duplicates the benefits of this program, DOH would expect to see a decrease of 60% of current member enrollment as they may benefit more from the Medicare subsidy available to those under 250% of the federal poverty level. DOH might also expect an increased enrollment of seniors across the state with annual drug costs of \$5,000 or less (largely due to this program's on time enrollment fee of \$25 or \$35 compared to the expected Medicare Part D monthly premium of \$35). As Medicare Part D is phased in, DOH expects to reduce some FTE gradually through attrition.

DOH makes the following assumptions:

Potential Enrollment

- Current outreach efforts are expected to increase current enrollment by 30% (from 17,500 members to 26,000 members).
- Re-enrollees make up 80% of current Senior Rx members. The change to the enrollment in this legislation would make for continual enrollment once a member is enrolled. DOH would then anticipate a 20% increase in new enrollees.
- Beginning in January 2006, Medicare Part D offers a subsidy to low income seniors with limited assets. With the subsidy, the benefits in Part D outweigh the benefits of the Senior Rx Program. The income reported by current members indicates 60% of them may be eligible for the subsidy and are therefore expected to dis-enroll from the Senior Rx Program.

Drug Costs

- Estimates of drug costs and processing fees are based on budget estimates for FY 2005.
- Drug costs are estimated to increase by 7% per year.

ASSUMPTION (continued)

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 but would be phased out by attrition.

Other Assumptions

- Although this proposal does not include language reauthorizing sections 208.550 - 553, and 208.562 - 571, it seemed apparent that the changes to the enrollment language would only be beneficial if the statutes allowing the benefits are reauthorized. Therefore, the fiscal note was prepared with the assumption that the full program would be reauthorized.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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MISSOURI SENIOR Rx FUND

Income – Department of Health and Senior Services

Rebates	\$1,976,077	\$2,371,292	\$2,845,550
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Costs – Department of Health and Senior Services

Personal Service	(\$406,853)	(\$834,049)	(\$854,900)
Fringe Benefits	(\$173,563)	(\$355,805)	(\$364,700)
Expense and Equipment	(\$105,742)	(\$130,697)	(\$134,618)
Program expenditures	<u>(\$14,476,150)</u>	<u>(\$18,625,415)</u>	<u>(\$23,795,730)</u>
Total Costs - Department of Health and Senior Services	(\$15,162,308)	(\$19,945,966)	(\$25,149,948)

ESTIMATED NET EFFECT ON SENIOR Rx FUND

	<u>(\$13,186,231)</u>	<u>(\$17,574,674)</u>	<u>(\$22,304,398)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

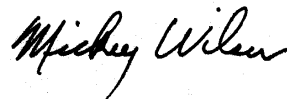
This proposal changes the laws regarding the Missouri Senior Rx Program. The proposal:

- (1) Transfers the program to the Division of Senior Services from the Division of Aging within the Department of Health and Senior Services;
- (2) Requires applicants currently not participating in the program to submit an initial enrollment application to the division. The division must accept the initial applications during an open enrollment period from January 1 through February 28 of each year;
- (3) Eliminates the requirement that participating enrollees reapply to the program each year. Current enrollees will automatically remain in the program unless they specifically decline to renew their participation during an open enrollment period; and
- (4) Allows the division to establish procedures to verify a current enrollee's continued eligibility for the program.

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 Health and Senior Services
Department of Social Services
Secretary of State



Mickey Wilson, CPA
Director
February 16, 2005