

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1775-01  
Bill No.: HB 646  
Subject: Elderly; Health Care; Social Services Department  
Type: Original  
Date: March 9, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Missouri Senior Rx Fund	(\$2,209,233)	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$2,209,233)</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</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 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Social Services** and the **Department of Mental Health** assume this proposal would not fiscally impact their agencies.

Officials from the **Office of the Secretary of State (SOS)** state this proposal sets the expiration date of the Senior Rx Program in the Department of Health and Senior Services (DOH) to June 30, 2006. The DOH may promulgate rules to reflect these changes. 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 6 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of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn.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 \$246 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 (DOH)** assume the following:

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 Medicare asset test and therefore would not be eligible for the federal low-income assistance program and would be eligible for the Senior Rx Program. Of the current membership, it is expected that only 40% would continue to be eligible after January 1, 2006.
- Estimating the number of seniors that would not meet the asset 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.
- 2.9% of the total state's senior population is not enrolled in Medicare. It is assumed that this percent is the same for all levels of poverty. Further, individuals who are not eligible for Medicare would continue to be eligible for the Senior Rx Program, provided they meet the other eligibility criteria.

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.
- Coordination of benefits with Medicare Part D would occur similarly to the current coordination with private insurance programs. The state would be a payer of last resort and would cover only those costs not covered by Medicare Part D, for those members eligible for Medicare. Those costs specifically not covered by Medicare Part D include:

ASSUMPTION (continued)

- Drugs not covered by the Medicare approved Prescription Drug Provider (PDP), but included in Missouri Senior Rx's formulary. While the Centers for Medicare and Medicaid require the PDPs to include drugs in a therapeutic drug classes, we expect the PDPs would limit the number of drugs they offer and the manufacturers they work with to keep the costs of the drugs low. Therefore, we assumed 25% of the drugs covered in the Missouri Senior Rx open formulary would not be covered by the PDP.
- Medicare's deductible of \$250. Medicare's deductible would be required of our members in January 2006, long after the majority of our members have met the deductible required for our program in July 2005.
- The 25% co-pay that occurs once the member has met the \$250 Medicare deductible and before the member reaches drug expenditures of \$2,250. (Medicare's initial coverage period.)
- The gap that occurs once the member reaches drug expenditures of \$2,250 and before the member reaches the catastrophic threshold set at \$5,100 for 2006.
- The 5% co-pay that occurs once the member reaches Medicare's catastrophic threshold and before the member reaches the \$5,000 in Senior Rx Program benefits.
- Drugs for members not enrolled in Medicare because they are ineligible for Medicare.

Program Revenues (Rebates and enrollment fees)

- DOH assumed continued collection of rebates. However, the Medicare approved PDPs would be requiring a rebate of the manufacturer, as would the Senior Rx program. Therefore, it is expected that over time, many manufacturers may terminate or otherwise seek to limit their contract with the Senior Rx program.
- As the enrollment fees for the program year covered by this legislation would be already collected prior to this legislation becoming effective, those fees are not shown for FY 2006.

Personnel and Related Costs

- DOH assumes that the current Senior Rx Program staff would be sufficient staff to operate the program.

**Oversight** does not have the detail information necessary to recalculate the program costs and cannot validate the DOH response. **Oversight** is presenting the cost as provided by the DOH.

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

Costs - Department of Health and Senior Services

Program Costs	<u>(\$2,209,233)</u>	<u>\$0</u>	<u>\$0</u>
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<b>ESTIMATED NET EFFECT ON MISSOURI SENIOR Rx PLAN FUND</b>	<b><u>(\$2,209,233)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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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.

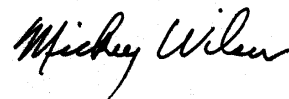
DESCRIPTION

This proposal terminates the Senior Rx Program on June 30, 2006. Currently, the program is to be reauthorized every four years.

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 Mental Health  
Department of Social Services  
Department of Health and Senior Services  
Secretary of State



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Mickey Wilson, CPA  
Director  
March 9, 2005

CM:LR:OD (12/02)