

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5528-03
Bill No.: HCS for HB 2527
Subject: Health Care; Insurance - Health; Health, Public
Type: Original
Date: March 10, 2020

Bill Summary: This proposal enacts provisions relating to prescription drug cost.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue Fund	\$7,831	(\$29,164)	(\$29,770)
Total Estimated Net Effect on General Revenue	\$7,831	(\$29,164)	(\$29,770)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue Fund	.75 FTE	.75 FTE	.75 FTE
Total Estimated Net Effect on <u>All</u> Federal Funds	.75 FTE	.75 FTE	.75 FTE

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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

376.2027 - Pharmacy Benefit Managers Licensing

Officials from the **Department of Commerce and Insurance (DCI)** state under this legislation, the department would be required to license pharmacy benefit managers. The department would establish the application process and licensure fee by rule. According to the Pharmacy Benefit Management Institute, there are currently 40 pharmacy benefit managers nationwide. The department does not believe any additional FTE would be needed to license all 40 pharmacy benefit manager should they request to become licensed, but the department would need to request General Revenue (GR) appropriation to cover the FTE and expenses of existing department staff processing the pharmacy benefit manager license applications or working on any complaint, unless it is deemed an appropriate use of the Insurance Dedicated Fund. The department estimates charging a licensure and renewal fee of \$1,000 based upon the licensure fee of third party administrators (TPAs). The department estimates needing to cover the cost of .25 Insurance Financial Analyst II FTE, .25 Fiscal and Administrative Manager FTE and .25 of an Legal Counsel FTE, with the licensure fee and requesting GR appropriation for any shortfall of licensure revenue.

In summary, DCI assumes a cost of \$32,169 in FY 2021, \$69,164 in FY 2022 and \$69,770 in FY 2023 to the General Revenue Fund to provide for the implementation of the changes in this proposal.

DCI also assumes a revenue of \$40,000 (40 pharmacy benefit managers x Annual \$1,000 licensing fee) to the General Revenue Fund.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimates provided by DCI.

Bill as a Whole

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** state that MCHCP's contract includes 100 percent pass through of all rebates received by its Pharmacy Benefit's Manager (PMB) to the Plan, which are then used to reduce premiums. With point-of-sale (POS) rebates, the amount of rebates that MCHCP could receive would go down and premiums could go up. The proposed bill applies to insulin only, so the impact would be less. However, the insulin category is one of the biggest categories for rebates, so it could still have an impact. MCHCP's actuary estimates the POS rebate impact to be unknown but less than \$100,000.

ASSUMPTION (continued)

Oversight assumes the fiscal impact to MCHCP is an indirect cost (reduction of rebates may increase member premiums); therefore, Oversight will not reflect a cost to MCHCP as a result of this proposal. Oversight notes, if this results in an increase in premiums, the state could elect to pick up that additional costs. However, Oversight assumes this to be a potential indirect cost to the state.

Officials from the **Department of Social Services**, the **Department of Health and Senior Services**, the **Department of Transportation**, the **Missouri Department of Conservation** and the **Office of Administration - Administrative Hearing Commission** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Office of Administration** assumed the proposal would have no fiscal impact on their organization.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to the Department of Transportation to estimate the fiscal impact of the proposed legislation on their respective organization.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Revenue - DCI</u>	\$40,000	\$40,000	\$40,000
\$1,000 Pharmacy Benefits Manager License Fee			
<u>Cost - DCI</u>			
Salaries	(\$18,744)	(\$45,435)	(\$45,890)
Fringe Benefits	(\$13,425)	(\$23,729)	(\$23,880)
Equipment and Expense	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Cost - DCI</u>	<u>(\$32,169)</u>	<u>(\$69,164)</u>	<u>(\$69,770)</u>
FTE Change - DCI	.75 FTE	.75 FTE	.75 FTE
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$7,831</u>	<u>(\$29,164)</u>	<u>(\$29,770)</u>
Estimated Net FTE Change to the General Revenue Fund	.75 FTE	.75 FTE	.75 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<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 bill requires health insurance deductible or coinsurance payments for prescription insulin to be calculated at the point of sale based on a price that is reduced by an amount equal to at least 100% of all rebates received, or to be received, in connection with the dispensing or administration of the drug.

FISCAL DESCRIPTION (continued)

The bill does not require any entity to disclose the actual amount of rebates received on a product, manufacturer, or pharmacy specific basis as it considers that information subject to "trade secret" protections.

This proposal also states pharmacy benefit managers would be required to be licensed.

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 Commerce and Insurance
Department of Social Services
Department of Health and Senior Services
Missouri Consolidated Health Care Plan
Office of Administration
Department of Transportation
Missouri Department of Conservation
Department of Public Safety
 Missouri Highway Patrol
Office of Administration
 Administrative Hearing Commission



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March 10, 2020



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