

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0227-01
Bill No.: SB 39
Subject: Boards, Commissions, Committees, Councils; Drugs and Controlled Substances; Elderly; Federal-State Relations; Health Care; Health Department; Medicare
Type: Original
Date: January 25, 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 10 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 **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.

Officials from the **State Treasurer's Office (STO)** did not respond to our fiscal note request. However, in a similar proposal from the 2004 session (Perfecting SS for SS for SCS for SB 1371, L.R. 4574-20) the STO assumes this proposal would not fiscally impact their agency.

Officials from the **Missouri Lieutenant Governor's Office (MLG)** did not respond to our fiscal note request. However, in a similar proposal from the current session (SB 75, L.R. 445-01) the MLG assumed this proposal would not fiscally impact their agency.

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

Savings - Department of Health and Senior Services

Missouri Senior Prescription Drug Program	<u>\$13,843,192</u>	<u>\$27,686,383</u>	<u>\$27,686,383</u>
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ESTIMATED NET EFFECT ON SENIOR Rx FUND	<u>\$13,843,192</u>	<u>\$27,686,383</u>	<u>\$27,686,383</u>
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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>
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ESTIMATED NET EFFECT ON MISSOURI SENIOR PRESCRIPTION DRUG PLAN FUND*	<u>(\$13,843,192)</u>	<u>(\$27,686,383)</u>	<u>(\$27,686,383)</u>
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*Subject to Appropriations

<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 closes the standard drug benefit coverage gap for certain seniors that was created due to the enactment of the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

CM:LR:OD (12/02)

DESCRIPTION (continued)

MISSOURI SENIOR PRESCRIPTION DRUG PLAN - The "Missouri Senior Prescription Drug Plan" is created within the Department of Health and Senior Services. The plan shall be effective upon notice to the Revisor by the Commission that the Medicare Act of 2003 has been fully implemented.

APPROPRIATIONS FOR THE PLAN - This plan is not an entitlement and is only a payer of last resort. Benefits are limited to the amounts appropriated for the plan. If the costs exceed the amounts appropriated, then the Commission may request a supplemental appropriation to fund the plan or may direct the prescription drug plan (PDP) sponsors to implement cost-control measures, such as increasing the amount of co-insurance.

BENEFIT - Subject to appropriations and other available funds, the plan shall provide gap coverage up to a total benefit of \$2,138 for each eligible senior in the first year of the plan and thereafter, the amount shall be adjusted annually each year based upon the Medicare Act of 2003.

ELIGIBILITY - Individuals who are 65 and older and are a participant in the Medicare Part D benefit will be eligible for the plan if their income is:
-within 150% to 200% of the federal poverty level; or
-below 150% of the federal poverty level and they fail the asset test.

APPLICATIONS FOR THE PLAN - Applications for the Missouri Senior Prescription Drug Plan will be conducted jointly with applications for the Medicare Part D benefit. The enrollment period for the state plan shall correspond with the enrollment period for the federal program.

COVERAGE - The plan shall provide coverage for only the prescription drugs covered in the PDP sponsors' formulary under the federal program. The plan shall not include coverage for any of the following drugs:

- those used for anorexia and weight gain;
- those used to promote fertility;
- those used for cosmetic purposes or hair growth;
- those used for coughs or colds;
- prescription vitamins;
- nonprescription drugs;
- barbiturates; and
- benzodiazepines.

The plan shall also exclude any drugs that are not "reasonable and necessary" as defined pursuant

DESCRIPTION (continued)

to the federal program. For covered prescription drugs, the state plan shall not be charged an amount in excess of the price charged pursuant to the federal program.

MISSOURI SENIOR PRESCRIPTION DRUG PLAN COMMISSION - The "Missouri Senior Prescription Drug Plan Commission" is created and will be composed of twelve members. Members appointed by the Governor shall serve for three years, legislative members shall serve for their current term of office, and all other members shall serve for as long as they hold the position which made them eligible for appointment.

ADMINISTRATION OF THE COMMISSION - Members of the Commission shall receive no compensation, but may be reimbursed for any expenses incurred. The Commission may also employ administrative staff as necessary to assist the Commission.

DUTIES OF THE COMMISSION - The Commission shall have the authority to:

- contract with PDP sponsors for implementing and administering the plan and determining eligibility;
- adjust the fee payments with PDP sponsors;
- set and adjust co-insurance at different amounts;
- coordinate with the Missouri Senior Rx Commission to avoid any duplication in coverage and to ensure a smooth transition between the two programs;
- apply for federal waivers and grants;
- promulgate rules; and
- perform any other function necessary for the implementation of the plan.

MISSOURI SENIOR PRESCRIPTION DRUG PLAN CLEARINGHOUSE - The "Missouri Senior Prescription Drug Plan Clearinghouse" is created within the Commission. The purpose of the Clearinghouse is to assist all Missourians in accessing prescription drugs programs, to educate the public on quality drug programs, to maintain a toll-free number, and to provide information on eligibility, enrollment, and benefits for the plan on the Department's website.

TERMINATION OF THE MISSOURI SENIOR PRESCRIPTION DRUG PLAN - The Missouri Senior Prescription Drug Plan shall be subject to reauthorization every four years.

MISSOURI SENIOR RX PROGRAM - Applicants not currently participating in the program must submit an initial enrollment application to the Division. Initial applications will be accepted during an open enrollment period from January 1 through February 28 of each year. Current enrollees will automatically remain in the program unless they specifically opt-out during the open enrollment period. The Division shall establish procedures to verify an applicants'

DESCRIPTION (continued)

continued eligibility (This provision is identical to HB 894 (2004)).

MISSOURI SENIOR RX FUND - Moneys in the Missouri Senior Rx Fund shall be credited to the Missouri Senior Prescription Drug Plan Fund after notice is provided to the Revisor that the Medicare Act of 2003 has been fully implemented.

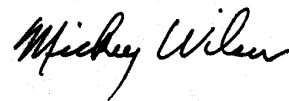
TERMINATION OF THE MISSOURI SENIOR RX PROGRAM - The Missouri Senior Rx Program shall terminate after notice is provided to the Revisor of Statutes that the Medicare Act of 2003 has been fully implemented.

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

NOT RESPONDING: Missouri Lieutenant Governor and State Treasurer's Office



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