

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0445-01
Bill No.: SB 75
Subject: Boards, Commissions, Committees, Councils; Drugs and Controlled Substances; Elderly; Federal-State Relations; Health Care; Health Department; Medicare
Type: Original
Date: January 24, 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

*Costs of program subject to appropriations
 Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 9 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 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 **State Treasurer's Office** (STO) did not respond to our fiscal note request. However, in a similar proposal from the 2004 session (Perfected 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 **Office of Secretary of State** (SOS) did not respond to our fiscal note request. However, in a similar proposal from the 2004 session (Perfected SS for SS for SCS for SB 1371, L.R. 4574-20) the SOS assumed a cost of \$1,476 in FY 05. **Oversight** assumed that the SOS could absorb the cost.

<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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<u>ESTIMATED NET EFFECT ON SENIOR Rx FUND</u>	<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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<u>ESTIMATED NET EFFECT ON MISSOURI SENIOR PRESCRIPTION DRUG PLAN FUND*</u>	<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
	<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.

DESCRIPTION

This proposal closes the standard drug benefit coverage gap that was created due to the enactment of the Medicare Act of 2003.

SECTION 208.568 - 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 Medicare Act of 2003 has been fully implemented.

SECTION 208.574 - The provisions of the Missouri Senior Rx Program shall terminate after notice is provided to the Revisor that the Medicare Act of 2003 has been fully implemented.

SECTION 208.575(1) - This subsection provides definitions for "eligible senior", "2006 standard drug coverage gap", and "prescription drug plan sponsors (PDP)".

SECTION 208.575(2) - 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.

SECTION 208.575(3) - This plan is not an entitlement and is only a payer of last resort. The benefits shall be limited to the amounts appropriated for the plan. If the costs of the plan exceed the amounts appropriated, the Commission may request a supplemental appropriation to fund the plan or may direct PDP sponsors to implement cost control measures.

SECTION 208.575(4) - Subject to appropriations and other available funds, the plan shall pay seventy-five percent of the 2006 standard drug benefit coverage gap of up to \$2,850, which shall not exceed \$2,138, for each eligible senior each year.

SECTION 208.575(5) - Applications for the program will be conducted jointly with applications for the Medicare Part D benefit. The enrollment period for the state plan shall correspond with

DESCRIPTION (continued)

the enrollment period for the federal program.

SECTION 208.575(6), (7), & (8) - 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 to Section 1862(a) of P.L. 108-173.

SECTION 208.575(9) - For the covered prescription drugs, the state plan shall not be charged an amount in excess of the price charged pursuant to the federal program.

SECTION 208.577(1) & (2) - The "Missouri Senior Prescription Plan Commission" is created and shall be composed of 12 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.

SECTION 208.577(3) & (4) - 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.

SECTION 208.577(5) - The Commission shall have the authority to contract with PDP sponsors for implementing and administering the plan and for determining the eligibility of applicants. The Commission shall also have the authority to adjust the fee payments with PDP sponsors, coordinate with the Missouri Senior Rx Commission to avoid any duplication in coverage and to ensure a smooth transition between the two programs, and perform any other function necessary for the implementation and administration of the plan.

SECTION 208.577(6) & (7) - The Commission may apply for any federal waivers or grants. The Commission shall have rule-making authority for the implementation of sections 208.575 and

DESCRIPTION - (continued)

208.583.

SECTION 208.579(1) & (2) - The "Missouri Senior Prescription Plan Clearinghouse" is established within the Commission. The Commission may submit proposals for the third-party administration of the Clearinghouse. 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 provide information on eligibility, enrollment, and benefits for the plan on the Department's website.

SECTION 208.581 - The "Missouri Senior Prescription Drug Plan Fund" is created within the State Treasury. The fund will consist of appropriations by the General Assembly, federal moneys, or moneys from other sources. Moneys in the fund shall be used solely by the Commission and the Department of Health and Senior Services for the implementation of the plan.

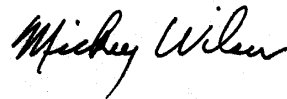
SECTION 208.583 - This new section provides that sections 208.575 to 208.583 shall be subject to reauthorization every four years.

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

Lieutenant Governor
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: Office of Secretary of State and State Treasurer's Office



Mickey Wilson, CPA
Director
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