

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1502-01
Bill No.: SB 353
Subject: Health; Elderly
Type: Original
Date: March 1, 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	(\$2,209,233)	(\$24,126,307)	(\$25,905,644)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$2,209,233)	(\$24,126,307)	(\$25,905,644)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 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** and the **Secretary of State** assume this proposal would not fiscally impact their agencies.

Officials from the **Department of Mental Health (DMH)** assume it is unlikely that persons eligible to participate in the Senior Rx Plan are in the population served by the DMH, thus any impact on DMH consumers from this program continuing would be negligible.

Officials from the **Department of Health and Senior Services (DOH)** state Medicare Part D will provide Medicare beneficiaries with prescription drug benefits beginning January 2006. The Missouri Senior Rx program would work with Medicare Part D to provide plan members supplemental assistance.

208.556.7 RSMo states in pertinent part, "If the federal government establishes a pharmaceutical assistance program that covers program - eligible seniors under Medicare or another program, the Missouri Senior Rx program shall cover only eligible costs not covered by the federal program." The eligible costs for the purpose of this fiscal note include:

ASSUMPTION (continued)

- ▶ Medicare's deductible of \$250
- ▶ The 25% co-pay during Medicare's Initial Coverage period
- ▶ Medicare's coverage "gap"
- ▶ The 5% co-pay in Medicare's Catastrophic Coverage (until the member reaches the \$5,000 in Senior Rx Program benefits.)
- ▶ Drugs not covered by the Medicare approved Prescription Drug Provider (PDP).
- ▶ Drugs for members not enrolled in Medicare because they are ineligible for Medicare

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.
- ▶ DOH further assumes all current members who are eligible would continue in the program, that Missouri seniors not eligible for Medicare would enroll, as well as all of those enrolled in Medicare that would experience a "gap" in coverage under Medicare Part D.

Drug Costs

- ▶ Estimates of drug utilization and costs were based on those experienced by the Senior Rx

ASSUMPTION (continued)

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:
 - ▶ 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.
- ▶ Enrollment fees would continue to be collected. As the enrollment fees for the program year covered in part 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

ASSUMPTION (continued)

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.

The proposal states the program expires December 31, 2006 and can be reauthorized each year by concurrent resolution. **Oversight** assumes this proposal will be reauthorized each year, and is presenting costs for FY's 2006, 2007, and 2008.

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

MISSOURI SENIOR Rx FUND

Income – Department of Health and Senior Services

Rebates and Enrollment fees	\$813,775	\$6,943,961	\$6,943,961
-----------------------------	-----------	-------------	-------------

Costs – Department of Health and Senior Services

Personal Service	(\$339,332)	(\$695,631)	(\$713,022)
Fringe Benefits	(\$144,759)	(\$296,756)	(\$304,175)
Expense and Equipment	(\$63,445)	(\$130,697)	(\$134,618)
Program expenditures	<u>(\$2,475,472)</u>	<u>(\$29,947,184)</u>	<u>(\$31,697,790)</u>
Total Costs - Department of Health and Senior Services	(\$3,023,008)	(\$31,070,268)	(\$32,849,605)

ESTIMATED NET EFFECT ON SENIOR Rx FUND

	<u>(\$2,209,233)</u>	<u>(\$24,126,307)</u>	<u>(\$25,905,644)</u>
--	----------------------	-----------------------	-----------------------

<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 sets the expiration date of the Missouri Senior RX Program at December 31, 2006, and thereafter provides reauthorization each year by concurrent resolution.

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 Mental Health
Department of Social Services
Secretary of State



Mickey Wilson, CPA
Director
March 1, 2005