

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5403-01
Bill No.: HB 2029
Subject: Insurance - Health; Drugs and Controlled Substances
Type: Original
Date: January 25, 2016

Bill Summary: This proposal changes the laws regarding step therapy for prescription drugs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$3,650,000)	(\$3,650,000)	(\$3,650,000)
Total Estimated Net Effect on General Revenue	(\$3,650,000)	(\$3,650,000)	(\$3,650,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Insurance Dedicated	\$36,500	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$36,500	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Administrative Rules** state that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

Officials from the **Department of Transportation**, the **Department of Social Services**, the **Department of Health and Senior Services**, the **Missouri Department of Conservation**, and the **Department of Mental Health** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** estimate at least 10 conditions are treated with step therapy based on a list published by South Carolina Blues (a BlueCross Blue Shield company) in 2015. DIFP can multiply the number of conditions treated using step therapy drugs by the number of major medical carriers and the cost of a contracted clinical review to get the total cost of contracted medical reviews.

There were 73 major medical companies and HMOs combined at the end of 2014, and the cost of each clinical review, based on past experience with similar reviews, would be at least \$5,000. Therefore, DIFP estimates the fiscal impact of these clinical reviews to be \$3,650,000 (10 medical conditions x 73 major medical insurance companies x \$5,000 medical review cost). Since the legislation does not include a funding source, DIFP assumes General Revenue will be needed.

The department estimates up to 10 amendments per licensed company in the small employer group market. At the end of 2014 there were 73 licensed major medical and health maintenance organization companies in Missouri. Policy amendments must be submitted to the department for review along with a \$50 filing fee. One time additional revenues to the Insurance Dedicated Fund are estimated to be up to \$36,500.

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews the department will need to request additional staff to handle increase in workload.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Costs - DIFP</u>			
Medical Reviews	<u>(\$3,650,000)</u>	<u>(\$3,650,000)</u>	<u>(\$3,650,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$3,650,000)</u>	<u>(\$3,650,000)</u>	<u>(\$3,650,000)</u>
 INSURANCE DEDICATED FUND			
<u>Revenue - DIFP - Policy Amendment Fees</u>			
	<u>\$36,500</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$36,500</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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 proposal changes the laws regarding step therapy protocols for prescription drugs.

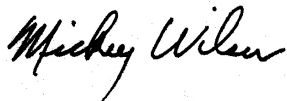
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Department of Health and Senior Services
Department of Mental Health
Department of Social Services
Missouri Department of Conservation
Department of Transportation
Joint Committee on Administrative Rules

Not Responding

Missouri Consolidated Health Care Plan
Office of the Secretary of State



Mickey Wilson, CPA
Director
January 25, 2016

Ross Strobe
Assistant Director
January 25, 2016