

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0371-01  
Bill No.: SB 78  
Subject: Disabilities; Elderly; Health Care; Medicaid/MO HealthNet; Pharmacy; Social Services Department  
Type: Original  
Date: February 1, 2019

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Bill Summary: This proposal modifies provisions relating to the MO Rx Plan.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
| FUND AFFECTED  | FY 2020               | FY 2021               | FY 2022               |
| General Revenue                                      | (\$12,069,403)        | (\$11,062,189)        | (\$11,062,189)        |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>(\$12,069,403)</b> | <b>(\$11,062,189)</b> | <b>(\$11,062,189)</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2020    | FY 2021    | FY 2022    |
|   |            |            |            |
|   |            |            |            |
| <b>Total Estimated Net Effect on <u>Other</u> State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2020</b> | <b>FY 2021</b> | <b>FY 2022</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2020</b> | <b>FY 2021</b> | <b>FY 2022</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2020</b> | <b>FY 2021</b> | <b>FY 2022</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

## FISCAL ANALYSIS

### ASSUMPTION

#### §208.790 - Mo Rx Plan

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** state this legislation allows individuals whose income is less than one hundred eighty-five percent (185%) of the federal poverty level for the applicable family size to be eligible for the MO Rx plan. Currently the MO Rx program is available for dual-eligible (Medicare and Medicaid) participants only. Subject to appropriation, if this legislation is enacted, the program will be available for dual (Medicare and Medicaid eligible participants) and non-dual (Medicare-only) participants.

The federal budget recently passed by the United States Congress closes the coverage gap in Medicare Part D (known as the “Donut Hole”). In FY 2017, once an individual with Medicare Part D reached the coverage gap, they were responsible for 40% of the cost for brand drugs and 49% of the cost for generic drugs. For FY 2020, individuals will be responsible for 25% of all drug cost once they reach the coverage gap. When the MO Rx plan included coverage for non-dual members, the plan paid for 50% of the member cost once the member was in the coverage gap. As a result of the reduction in participant responsibility once in the coverage gap, the cost to add non-duals back into the MO Rx program would be reduced by \$72,082 annually.

This amount was calculated assuming 31% of the FY 2020 projected number of qualifying recipients of 63,596 (Forbes: The Medicare Drug 'Donut Hole' is a Much Smaller Problem Than You Think) or 19,715 of non-duals, could be affected by the donut hole. Of the 19,715 recipients, it is assumed 6% or 1,183 ( $19,715 \times .06$ ) would reach the coverage gap. The coverage gap is \$1,250 but only a small percentage of Medicare Part D participants spend the full gap amount. For the purposes of this fiscal note, the coverage gap is estimated to be \$625 ( $\$1,250/2$ ). Assuming a member responsibility of 44.5% (average of 40% brand and 49% generic), the member responsibility in the gap would be \$278 ( $625 \times 0.445$ ). MO Rx would pay 50% or \$139 ( $\$278 / 2$ ) for a total gap coverage cost of \$164,494 ( $1,183 \times \$139$ ). In FY 2020 the Medicare Part D member responsibility drops to 25% for an estimated member coverage gap cost of \$156 ( $\$625 \times 0.25$ ). MO Rx would pay 50% or \$78 for a total FY 2020 estimated coverage gap cost of \$92,412 ( $1,183 \times \$78$ ). The annual savings applied to the cost of this fiscal note for donut hole closing is \$72,082 ( $\$164,494 - \$92,412$ ).

The projected average number of non-duals in FY 2020 is 63,596. Using a per member per year cost of \$281, the projected FY 2020 10-month cost would be \$14,909,543 ( $(63,596 \times \$281 = \$17,891,452) / 12 \times 10 = 14,909,543$ ). The estimated FY 2020 start-up and administrative cost

ASSUMPTION (continued)

include contractor, mailings, and enrollment fees would be \$492,253 for a total cost of \$15,401,797. Estimated FY 2020 rebate revenue of \$3,260,312 would offset the cost and it is assumed MO Rx rebates are paid 6 months in arrears. FY 2020 savings related to the donut hole would be \$72,082. FY 2020 net cost would be \$12,069,403. Full year FY 2021 and FY 2022 net cost are \$11,062,189. Until the FY 2020 budget is final, the department cannot identify specific funding sources.

**Oversight** notes, based on information from DSS officials, the donut hole savings for FY 2020 should be \$60,068 (10 months) rather than \$72,082. Annual donut hole savings for FY 2021 and 2022 is \$72,082.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the costs, savings, and rebate income as provided by DSS for fiscal note purposes.

Officials from the **Office of Administration, Division of Budget & Planning (B&P)** state the proposal will have no direct impact on B&P. In addition, there is no impact to Total State Revenue (TSR) or the calculation pursuant to Article X, Section 18(e).

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect no fiscal impact for B&P for fiscal note purposes.

| <u>FISCAL IMPACT - State Government</u>   | FY 2020<br>(10 Mo.)          | FY 2021                      | FY 2022                      |
|---|------------------------------|------------------------------|------------------------------|
| <b>GENERAL REVENUE FUND</b>   |                              |                              |                              |
| <u>Income - DSS (\$208.790)</u>   |                              |                              |                              |
| Increase in rebate revenue  | \$3,260,312                  | \$6,962,649                  | \$6,962,649                  |
| <u>Savings - DSS (\$208.790)</u>  |                              |                              |                              |
| Reduction in costs due to “donut hole”  | <u>\$60,068</u>              | <u>\$72,082</u>              | <u>\$72,082</u>              |
| Total <u>Income and Savings - DSS</u>   | <u>\$3,320,380</u>           | <u>\$7,034,731</u>           | <u>\$7,034,731</u>           |
| <u>Costs - DSS (\$208.790)</u>  |                              |                              |                              |
| Contractor, mailings and enrollment<br>Program expenditures to expand<br>coverage to non-dual (Medicare - only)<br>recipients | (\$492,253)                  | (\$205,468)                  | (\$205,468)                  |
| Total <u>Costs - DSS</u>  | <u>(\$15,389,783)</u>        | <u>(\$18,096,920)</u>        | <u>(\$18,096,920)</u>        |
| <b>ESTIMATE NET EFFECT ON THE<br/>GENERAL REVENUE FUND</b>  | <b><u>(\$12,069,403)</u></b> | <b><u>(\$11,062,189)</u></b> | <b><u>(\$11,062,189)</u></b> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2020<br>(10 Mo.) | FY 2021    | FY 2022    |
|---|---------------------|------------|------------|
|   | <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

Under current law, only Medicaid dual-eligible individuals meeting certain income limitations are eligible to participate in the Missouri RX Plan. This act removes the Medicaid dual eligible requirement, while retaining the income limitations.

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 Social Services -  
MO HealthNet Division  
Office of Administration -  
Division of Budget & Planning



Kyle Rieman  
Director  
February 1, 2019

Ross Strope  
Assistant Director  
February 1, 2019