

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 4266-01  
BILL NO.: SB 932  
SUBJECT: Health Department; Social Services Department; Health, Public  
TYPE: Original  
DATE: February 24, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0 to (\$42,183,240)	\$0 to (\$50,619,888)	\$0 to (\$50,619,888)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0 TO (\$42,183,240)</b>	<b>\$0 TO (\$50,619,888)</b>	<b>\$0 TO (\$50,619,888)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Federal	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Revenues and expenditures of approximately \$76 million net to \$0.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

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**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Missouri Consolidated Health Care Plan**, the **Department of Transportation**, the **Department of Public Safety - Missouri State Highway Patrol**, and the **Department of Insurance** assume this proposal would not fiscally impact their agencies.

**Department of Health (DOH)** officials assume the intention of this proposal is for the department to develop a report that would increase understanding of the prevalence of obesity and its impact on diseases. DOH would use existing resources to conduct the required study and prepare the report. DOH also assumes that this proposal does not mandate statewide obesity programs. DOH states that if the intent of the proposal is that the department would implement statewide obesity reduction programs, a new decision item would have to be developed and requested during the appropriation process.

**Department of Social Services (DOS)** officials assume that the proposal is specific to the product orlistat (Xenical) by HLR. Xenical is the only nonsystemic prescription product for the treatment of obesity that is currently available. DOS assumes that the proposal does not address over-the-counter products that make similar claims.

DOS states they recently had dialog regarding this product with an advisory panel composed of health care professionals. The discussion points were: 1) the success of this product is highly dependent upon changing patient behaviors with regard to eating habits and exercise; 2) evidence of effectiveness beyond two years has not been determined at this point but it appears that maintenance of weight loss would probably require the continued use of the drug product; and, 3) the cost of this product is approximately \$110 per month per patient. Patients would generally have to be on the product for three months (\$330 per patient) before it would be apparent whether or not it is working. DOS assumes that the state would not have any flexibility to require results before continuing coverage under this proposal.

DOS states that statistics indicate the most important, and most difficult, facet of any weight loss program is behavior modification. The data suggest a nationwide resistance to appropriate lifestyles and healthy behaviors with regard to nutrition and exercise. Modifying behaviors in the Medicaid population to the extent necessary for this therapy to be effective is problematic. If DOS would be required to cover this drug, DOS feels that the agency should be given the authority to require evidence of changes in behavior prior to authorizing the initiation or continuation of therapy. In addition, DOS should receive funding - for the drug - but also to study the pharmacoeconomic impact/cost effectiveness of covering the product. DOS states this would be the first time that coverage of a specific drug product by the Missouri Medicaid

ASSUMPTION (continued)

program has been legislated. DOS currently has processes in place to seek the advice of experts in making policy decisions.

DOS states that according to the Department of Health, the prevalence of obesity in the adult population in Missouri is 32.9%. DOS states there are currently 291,401 Medicaid eligibles age 21 and older. If the prevalence of obesity is the same for the Medicaid population as the entire Missouri, the estimated number of obese adult persons on Medicaid would be 95,871 (291,401 x 32.9%). DOS is unable to determine the percent of adults that would take advantage of these medications. DOS assumes that the cost would range from \$0, if no one takes the medications, to \$126,549,720, if everyone took the drug.

Officials from the **Department of Conservation** did not respond to our fiscal impact request.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**GENERAL REVENUE FUND**

Costs - Department of Social Services

Medical assistance payments	<u>\$0 to</u> <u>(\$42,183,240)</u>	<u>\$0 to</u> <u>(\$50,619,888)</u>	<u>\$0 to</u> <u>(\$50,619,888)</u>
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**ESTIMATED NET EFFECT ON  
GENERAL REVENUE FUND**

<u><b>\$0 TO</b></u> <u><b>(\$42,183,240)</b></u>	<u><b>\$0 TO</b></u> <u><b>(\$50,619,888)</b></u>	<u><b>\$0 TO</b></u> <u><b>(\$50,619,888)</b></u>
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**FEDERAL FUNDS**

Income - Department of Social Services

Medicaid reimbursements	\$63,274,860	\$75,929,832	\$75,929,832
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Costs - Department of Social Services

Medical assistance payments	<u>(\$63,274,860)</u>	<u>(\$75,929,832)</u>	<u>(\$75,929,832)</u>
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**ESTIMATED NET EFFECT ON  
FEDERAL FUNDS**

<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	<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 would require the Department of Health to cover certain anti-obesity drugs. The Department would be required to provide a report to the Governor, Speaker of the House and President Pro Tem of the Senate by December 31, 2000. The report would include information on the incidence of obesity in Missouri, the relationship of obesity to other health problems, and recommendations on reducing obesity in Missouri. The Department may also establish obesity awareness and education programs. Finally, this proposal would state that individuals who are eligible for Medicaid may receive coverage of non-systemic (non-habit-forming) FDA-approved anti-obesity drug therapies.

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

MPW:LR:OD:005 (9-94)

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Department of Health  
Missouri Consolidated Health Care Plan  
Department of Insurance  
Department of Transportation  
Department of Public Safety  
Missouri State Highway Patrol  
Department of Social Services

**NOT RESPONDING: Department of Conservation**



Jeanne Jarrett, CPA  
Director  
February 24, 2000