

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0202-16
Bill No.: Perfected SS for SCS for SB 22 and 106
Subject: Elderly; Drugs and Controlled Substances; Health Care; Pharmacy; Physicians;
 Taxation and Revenue - Income
Type: Original
Date: April 9, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$26,698,585)	(\$5,227,281)	(\$2,220,048)
Total Estimated Net Effect on <u>All</u> State Funds	(\$26,698,585)	(\$5,227,281)	(\$2,220,048)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

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

Department of Insurance (INS) officials state that in order to have products available for the proposed program, some insurers may develop new policies to offer individuals. INS states new policies or contracts would require filings to the department. INS states it is unknown how many insurers would submit policy form filings but the increased revenue and cost on INS is anticipates to be minimal.

Officials from the **Department of Social Services (DOS) - Division of Medical Services (DMS)** state that DMS interpreted section 660.703.4 of the proposal that the general assembly would approve the proposed contracts by private health insurers. DMS assumed that the general assembly would approve the contracts so that the program could be implemented on January 1, 2002. The proposal contains an emergency clause. The Division of Medical Services (DMS) assumes that the actual funding of the pharmacy tax credit would not be available until the beginning of the next fiscal year after the pharmacy tax credit is repealed.

DMS states the proposal would create 'Missouri Pharmaceutical Assistance Task Force' with Department of Social Services. DMS would be responsible for the funding, administrative support, and staff for the effective operation of the task force. DMS estimates these administrative costs at \$100,000 for each year. There are numerous requirements of the Task Force. Since the requirements of the Task Force are not completely outlined in the proposal, DMS assumes that the implementation of the recommendations of the Task Force could result in an unknown fiscal impact, especially regarding implementing programs that prevent, reduce, or treat the use of tobacco.

The proposal states that DOS may enter into contracts with private health insurers to arrange for pharmacy benefit policies that provide coverage up to a maximum of \$6,000 to seniors not covered by other prescription programs. These contracts would include premiums, copayments and deductibles.

DMS assumes that DMS would put out a Request for Proposal for pharmacy benefit policies. The private health insurer could offer different packages, including varying premiums, copays and deductibles. DMS would approve the health insurers, which could be multiple companies and/or policies.

The proposal states that the senior must apply for the subsidy. DMS assumes the senior would

ASSUMPTION (continued)

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apply for the subsidy at the same time they are enrolling in the program.

DMS assumes that the senior would select the plan. After the selection has been made, through the contractor, DMS would make arrangements to provide the monthly subsidy amount directly to the pharmacy insurance company. DMS proposes a monthly subsidy to minimize cases in which DMS makes a subsidy payment and then the enrollee drops the insurance or deceases, etc.. and DMS is forced to pursue the overpayment.

DMS assumes the pharmacy insurance company would have the responsibility to collect the senior's portion of the monthly premium. DMS further assumes the pharmacy insurance company would be responsible for notifying DMS if the senior has not paid for his portion of the premium. The purpose of this is to minimize overpayments.

Household Income - For the purpose of this fiscal note, DMS used the Circuit Breaker Income Definition. DMS obtained the number of persons by income range from the Economic and Policy Analysis Research Center at UMC through the Office of Administration. The number of individuals with income less than \$11,600 is 115,420 and the number of couples with income less than, \$15,700 is 46,450. This yields a total population of 208,520 ($115,420 + (46,450 * 2)$). DMS then assumed that 40% of this population would have other third party coverage ($208,320 * 60\% = 124,992$). For the purpose of this fiscal note DMS assumes a participation rate of 75% ($124,992 * 75\% = 93,744$). DMS further assumes that the participants would be phased in over six months. DMS assumes a 5% increase in caseload each year.

DMS assumes that the cost of pharmacy insurance would exceed \$850 in all cases. Therefore, DMS assumed a subsidy amount of \$850 for all enrollees.

DMS assumes that a contractor would be responsible for the eligibility determination and the actual enrollment into an insurance company. DMS estimates the cost of the eligibility determination at \$12 per determination. DMS assumes that the enrollment would be handled through written correspondence and telephone. If the intent of the proposal is to have contractor personnel in various areas of the state, the eligibility determination costs would need to be increased. DMS estimates the cost of the actual enrollment at \$12 per enrollment.

Summary of Contractor Costs (1st Year)

Eligibility Determination ($93,744 * \$12$)	\$1,124,928
Enrollment ($93,744 * \$12$)	<u>\$1,124,928</u>
Total	\$2,249,856

The proposal does not dictate if the eligibility determination and enrollment should be done on an annual basis. For the purpose of this fiscal note, DMS assumes that this would be a yearly function.

ASSUMPTION (continued)

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DMS assumes that the contractor would not be responsible for discussing or advising spenddown clients of the advantages or disadvantages of this program in relation to their spenddown situation.

DMS assumes subsidy payments would only be made to pharmacy insurance companies specifically contracted by DMS for this program.

DMS assumes that there would be additional cost in paying the subsidy to the pharmacy insurance company. DMS estimates the cost at \$300,000. This cost would include actual system changes and reporting requirements.

DMS further assumes that the following staff would be needed to reconcile enrollment, reconcile the amount of subsidy payments, contract monitoring, and overall contract oversight:

- 1 Fiscal Manager
- 2 Medicaid Specialists
- 1 Clerk II
- 6 Correspondence and Information Specialists

DMS assumes that six Correspondence and Information Specialists would be needed to answer the questions on the program.

DOS - Division of Legal Services (DLS) officials assume that for FY 2002 and FY 2003, 93,744 apply for benefits and further assume at least 10% of those persons ($93,744 \times 10\% = 9,374$) would be turned down for participation in this program. DLS assumes that 10% of the persons turned down for participation choose to appeal the decision, DLS would have approximately 937 new appeal cases per year to work through the DLS Litigation Unit. Further estimating 16 hours per case (in attorney time only), DLS would have to find sufficient staff to work approximately 14,992 hours of attorney time ($16 \text{ hours per case} \times 937 \text{ cases}$). DLS attorneys have a work year of 2,080 hours per attorneys year. DLS anticipates that it would require 7 additional attorneys to handle the additional workload ($14,992 \text{ hours} / 2,080 \text{ hours per attorney-year} = 7 \text{ new attorneys}$). Using a ratio of one FTE support staff for every two attorneys, 3.5 new FTE support staff would be required to handle the increased workload.

DLS officials assume that for FY 2004, 103,353 apply for benefits and further assume at least 10% of those persons ($103,353 \times 10\% = 10,335$) would be turned down for participation in this program. DLS assumes that 10% of the persons turned down for participation choose to appeal the decision, DLS would have approximately 1,033 new appeal cases per year to work through the DLS Litigation Unit. Further estimating 16 hours per case (in attorney time only), DLS would have to find sufficient staff to work approximately 16,528 hours of attorney time ($16 \text{ hours per case} \times 1,033 \text{ cases}$). DLS attorneys have a work year of 2,080 hours per attorneys year.
ASSUMPTION (continued)

DLS anticipates that it would require 8 additional attorneys (one new attorney) to handle the

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additional workload (16,528 hours/2,080 hours per attorney-year = 8 new attorneys). Using a ratio of one FTE support staff for every two attorneys, 4 FTE (one new position) support staff would be required to handle the increased workload.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** did not respond to our fiscal impact request. However, in responding to a similar proposal BAP stated the elimination of the senior citizen pharmaceutical tax credit beginning January 1, 2002 would result in the state saving an estimated \$89.3 million in general revenue in fiscal year 2003.

Oversight assumes this proposal would be approved and savings in FY 2003 would be approximately \$81.9 million and \$89.3 million in FY 2004.

FISCAL IMPACT - State Government FY 2002 FY 2003 FY 2004

GENERAL REVENUE FUND

Savings - Office of Administration

Repeal of pharmaceutical tax credit	\$0	\$81,900,000	\$89,300,000
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Cost - Department of Social Services -
 Division of Medical Services

Personal Service (10 FTE)	(\$266,850)	(\$328,226)	(\$336,432)
Fringe Benefits	(\$88,941)	(\$109,398)	(\$112,133)
Expense and Equipment	(\$2,739,723)	(\$2,469,847)	(\$2,588,189)
Program specific	<u>(\$23,239,606)</u>	<u>(\$83,662,583)</u>	<u>(\$87,845,533)</u>
Total <u>Costs</u> - DMS	<u>(\$26,335,120)</u>	<u>(\$86,570,054)</u>	<u>(\$90,882,287)</u>

Cost - Department of Social Services -
 Division of Legal Services

Personal Service (12 FTE)	(\$179,660)	(\$334,466)	(\$392,364)
Fringe Benefits	(\$59,881)	(\$111,478)	(\$130,775)
Expense and Equipment	<u>(\$126,924)</u>	<u>(\$111,283)</u>	<u>(\$114,622)</u>
Total <u>Costs</u> - DLS	<u>(\$363,465)</u>	<u>(\$557,227)</u>	<u>(\$637,761)</u>

**ESTIMATED NET EFFECT ON
 GENERAL REVENUE FUND**

	<u>(\$26,698,585)</u>	<u>(\$5,227,281)</u>	<u>(\$2,220,048)</u>
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FISCAL IMPACT - Local Government FY 2002 FY 2003 FY 2004

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small health insurance companies would be expected to be fiscally impacted to the extent they would participate in the program established by this proposal

DESCRIPTION

This proposal creates the Missouri Pharmaceutical Assistance Program (MOPAP) and Task Force to allow elderly to purchase pharmaceutical insurance from the state. The Department of Social Services would administer MOPAP. The MOPAP Task Force would consist of fourteen members. The task force would conduct public hearings, promote and improve public health, and evaluate the health needs of senior citizens. The task force would seek matching funds from other sources and may also provide grants to certain organizations.

The Department of Social Services (DOS) would enter into contracts with private health insurers in order to provide insurance policies to senior citizens for the coverage of prescription drugs and pharmaceutical services. Seniors 65 and older may purchase the policy and receive a grant from the state to pay a portion of the insurance cost. An insurance coverage cap of \$6,000 is added to section 660.706. Income levels would be revised to allow eligibility for incomes of \$11,600 or less for an individual or \$15,700 or less for a couple. The maximum subsidy level would be the annual cost of insurance or \$850 per year, whichever is less. The Department of Social Services would promulgate rules in conjunction with the Department of Insurance and Department of Health. In order to receive a subsidy, the senior citizen must apply to DOS and provide necessary proof. Any amounts would be paid directly to the insurer. DOS may deny grants if filed with fraudulent intent. The applicant has appeal rights. This proposal sets sunset provision on Section 135.095 which currently allows a prescription drug tax credit for the elderly of December 31, 2002.

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

SOURCES OF INFORMATION

Department of Transportation
Department of Conservation

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

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive, somewhat stylized font.

Jeanne Jarrett, CPA
Director

April 9, 2001