

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1791-01
Bill No.: SB 559
Subject: Drugs and Controlled Substances; Elderly; Health Care; Medicaid; Nursing and Boarding Homes; Pharmacy; Social Services Department
Type: Original
Date: March 28, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$622,229	\$746,675	\$746,675
Total Estimated Net Effect on <u>All</u> State Funds	\$622,229	\$746,675	\$746,675

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Federal	\$975,688	\$1,170,825	\$1,170,825
Total Estimated Net Effect on <u>All</u> Federal Funds	\$975,688	\$1,170,825	\$1,170,825

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 5 pages.

FISCAL ANALYSIS

ASSUMPTION

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

Office of Secretary of State (SOS) officials state this proposal would require a long term care facilities to return unused medications to pharmacies for reuse and reimbursement. The Department of Social Services would promulgate rules to implement this proposal. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Social Services could require as many as approximately 18 pages in the Code of State Regulations. For any given rule, roughly half again as many pages would be published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. The actual costs (\$1,107) could be more or less than the numbers given. The impact of this proposal in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple proposals pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the Department of Social Services - Division of Medical Services (DMS) estimate gross annual savings of \$2 million for this program. For the purposes of estimating a reasonable cost of services incurred, DMS estimates 27,500 nursing home recipients. DMS assumes that these recipients use an average of five prescriptions per month (or sixty claims per year). DMS assumes that five percent of the claims would be returned and credited. DMS further assumes a reasonable cost of reimbursing pharmacies at \$1 per transaction or credit. DMS states this cost was based on comments from the proposal which indicate that there would be cost incurred by the pharmacy for these returns.

Reimbursement of Cost

FY 2002	$27,500 * 5 \text{ Rx} * 10 \text{ months} * \$1 = \$68,780$
FY 2003	$27,500 * 5 \text{ Rx} * 12 \text{ months} * \$1 = \$82,500$
FY 2004	$27,500 * 5 \text{ Rx} * 12 \text{ months} * \$1 = \$82,500$

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ASSUMPTION (continued)

DMS has filed a proposed regulation for the operation of this program. DMS states the proposed rule does not include any payment to the pharmacies for their costs and it does not go as far in the scope of drugs covered.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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GENERAL REVENUE FUND

<u>Savings - Department of Social Services</u>			
Credits from nursing home drugs	\$649,000	\$778,800	\$778,800
<u>Costs - Department of Social Services</u>			
Pharmacy costs	<u>(\$26,771)</u>	<u>(\$32,125)</u>	<u>(\$32,125)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$622,229</u>	<u>\$746,675</u>	<u>\$746,675</u>

FEDERAL FUNDS

<u>Savings - Department of Social Services</u>			
Credits from nursing home drugs	\$1,017,667	\$1,221,200	\$1,221,200
<u>Costs - Department of Social Services</u>			
Pharmacy costs	<u>(\$41,979)</u>	<u>(\$50,375)</u>	<u>(\$50,375)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$975,688</u>	<u>\$1,170,825</u>	<u>\$1,170,825</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses (pharmacies) would expect to be fiscally impacted to the extent that they would incur additional reimbursement for returned drugs and additional administrative costs due to the requirements of this proposal.

DESCRIPTION

This proposal would require long-term care facilities to return unused medications to pharmacies for reuse and reimbursement. A new Section 208.554 would be created to require long-term care facilities serving Medicaid patients to return unused portions of medications to the vendor pharmacy for repackaging and reimbursement to the Department of Social Services. The unused drugs would be: 1) prescription drugs that are not controlled substances; 2) sealed in individually packaged units; 3) returned to the pharmacy within the recommended shelf life; 4) determined to be acceptable by a licensed pharmacist; and 5) oral and parenteral medication in single-dose sealed containers, topical or inhalant drug products in unit containers, or parenteral medications in multiple-dose sealed containers all of which must be approved by the Food and Drug Administration. If the drugs are packaged in manufacturers unit-dose packages, then they would be returned to the vendor pharmacy for redispensing and reimbursement to the Department. If the drugs would be repackaged in manufacturers unit-dose or multiple-dose blister packs, then they would be returned to the vendor pharmacy for redispensing and reimbursement if the repackaging date, the lot number, and expiration date are noted on the package, 90 days or less have passed since the repackaging date, and a repackaging log is maintained by the pharmacy. No drugs dispensed in bulk containers may be returned or reused. Each long-term care facility would establish procedures for the return of unused drugs. The Department would reimburse the vendor pharmacy for reasonable costs and the Department would establish procedures for reimbursement to non-Medicaid payors for drug products. The Department would promulgate rules to carry out these provisions until January 1, 2002.

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
Missouri Consolidated Health Care Plan
Department of Social Services
Department of Conservation
Department of Transportation
Department of Public Safety
Missouri State Highway Patrol
Office of Secretary of State



Jeanne Jarrett, CPA
Director

March 28, 2001