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FISCAL IMPACT REPORT

SPONSOR: HAFC DATE TYPED: 03/15/01 HB 300/HAFCS/aHAFC/aHFL#1
 SHORT TITLE: Special Prescription Drug Program for Seniors SB _____
 ANALYST: Taylor/Dunbar

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
\$ 0.0					

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 143

SOURCES OF INFORMATION

Human Services Department
 State Agency on Aging
 Health Policy Commission

SUMMARY

Synopsis of HFL amendment #1

House Floor amendment #1 provides for the following changes to HAFC substitute for HB 300 by:

- Striking Section 1 in its entirety .
- Inserting a new Section 1 entitled “Special Prescription Drug Assistance Program”. This new section limits the program to prescription drugs only for persons age 65 or older.
- Establishing eligibility for the program to cover individuals who (1) are 65 years of age or older and are a resident of the state, (2) do not have a prescription drug benefit, and (3) have income no more than 100% of poverty.
- Providing for the Human Services Department to establish by rule a definition of “income”. (The bill notes that the HSD should utilize the same income eligibility methodology for the program as is used for the Medicaid program)
- Indicating that HSD must obtain a waiver pursuant to Section 1115 of the federal Social Security Act and must apply for the waiver no later than July 1, 2001.

A technical change to the title of the bill may be necessary due the HFL amendment #1. The bill is limited to prescription drug assistance only under the Medicaid program. The title should reflect this change and remove “providing health care services”.

The Human Services Department reports that given the complexity of drafting a waiver request, they may not be able to achieve the requirement that they submit the waiver by July 1, 2001.

Synopsis of HAFC amendment

House Appropriation and Finance Committee amendment changes HAFC substitute for HB 300 by:

- Removing language pertaining to “making an appropriation”.
- Removing the Section which included the appropriation.
- Inserting language that provides for a Medicare Prescription Benefit review. This review would occur, if federal legislation is enacted providing for outpatient prescription drug benefits for the Medicare program. The bill states that the Legislative Finance Committee and the interim Legislative Health and Human Services committee will, at that time, consider the advisability of continuing the special prescription drug assistance program under the Medicaid program.

HB 2 contains a \$1,000.0 appropriation for the program for the last quarter of the fiscal year. This assumes that the department will not obtain a waiver for the program until the last quarter of the year.

Synopsis of HAFC Substitute Bill

HAFC substitute for HB 300 requires the medical assistance division of the Human Services Department to design and implement a prescription drug benefit under the state’s medicaid program. The program would provide full medicaid coverage including prescription drugs to persons who are sixty-five years of age or older, who do not have a prescription drug benefit in their health insurance or from other private or governmental health plans and who have income that is less than 100 percent of the federal poverty level.

The bill carries an emergency clause.

FISCAL IMPLICATIONS

The bill appropriates \$2,155.0 from the general fund for the program for expenditures in FY01 and FY02. This would leverage approximately \$6,000.0 in would leverage \$6,095.1 from federal funds. Unexpended or unencumbered balances remaining at the end of FY02 revert to the general fund. federal funds. Unexpended or unencumbered balances remaining at the end of FY02 revert to the general fund.

LFC staff estimates that maximum full year cost is \$2,630.0 general fund, but likely costs are perhaps 20 percent of that. This estimate assumes the following:

- a. Potential eligibles: 17,971. This is based on 1998 census figures provided by the Health Policy Commission as to the number of persons age 65 or older with incomes between 75 and 100 percent of the federal poverty line.
- b. Cost per person per year: \$546. Last year the Health Policy Commission estimated the pharmacy cost at \$475. This figure was increased 15 percent to reflect increasing prescription drug costs.
- c. State Share of total cost: 26.8 percent.

Maximum Potential total cost could be calculated as:

$$17,971 \times \$546 \times .268 = \$2,629.7$$

There are two reasons why the actual cost of the program in the first year is likely to be well below the maximum potential. First, program participation will be below 100 percent. The program might eventually achieve an 80 percent (or so), participation rate, but that will not happen in the first year of the program as it takes time to inform and enroll the eligible population. Second, discussions with the department indicate that they are unlikely to get a waiver approval from the federal Health Care Financing Administration (HCFA) before the middle of FY02. Promulgating rules will likely take another three months. Thus, no money is likely to be expended for the program until the last quarter of FY02, assuming the waiver is approved. Thus, optimistically (assuming the program is in place for three months) and eighty percent of eligibles enroll in the program, the FY02 general fund program cost would be \$526.0. Assuming 80 percent participation, the full year cost is estimated to be \$2,150.0, about what is included in the appropriation.

DUPLICATION

HB 300 duplicates SB 143.

OTHER SUBSTANTIVE ISSUES

The Human Services Department reports that the first year cost of the program would be \$3.1 million general fund. This is in contradiction to the assertion that the program is unlikely to be enacted on a full year basis in FY02. The cost estimate is little more than an assertion. Unlike the LFC estimate, no assumptions as to cost per person or the number of enrollees are provided. The department should either revoke the cost estimate or provide evidence to support the estimated cost.

The President's prescription drug plan pays for prescription not covered by Medicaid.

BT/ar/njw