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F I S C A L I M P A C T R E P O R T

SPONSOR: Feldman DATE TYPED: 03/12/01 HB

SHORT TITLE: Special Prescription Drug Program for Seniors SB 143/aSPAC/aSFC

ANALYST: Taylor

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	**FY02**	**FY01**	**FY02**		
	NFI		See Text		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates HB 300; Relates to HB2aSFC

SOURCES OF INFORMATION

Human Services Department (HSD)
State Agency on Aging
Health Policy Commission

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee removes the appropriation from the bill.

FISCAL IMPLICATIONS OF SFC AMENDMENT

While SB 143 has been amended to remove the appropriation, it should be noted that House Bill 2 as amended by the Senate Finance Committee contains a $1 million appropriation to provide prescription drug benefit to seniors age 65 and over whose income is less than 100 percent of the federal poverty level. The $1 million dollar appropriation is meant to cover the last quarter of FY02, reflecting the Human Services Department's point that it will take at least six months to get a waiver approved and another 3 months to promulgate rules.

Synopsis of SPAC Amendment

The Senate Public Affairs Committee amendment adds a provision that says if federal legislation providing an outpatient prescription drug benefit is enacted by the 107th or 108th Congress and becomes law, the Legislative Finance Committee and the interim Health and Human Services

Committee shall consider the advisability of continuing the special drug assistance program under the state's Medicaid program.

Significant Amendment Issues

Interim committees may consider the advisability of continuing a program, but they do not have the authority to reverse legislation. If the intent is to enable a body to remove the program in case the Congress enacts the program, counsel suggests the authority be provided to the Human Services Department.

Synopsis of Original Bill

Senate Bill 143 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 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 requires the department to apply for a federal waiver by July 1, 2001, should a waiver be necessary.

The bill appropriates $2,355.0 from the general fund for the program for expenditures in FY01 and FY02. $2,155.0 is to pay for the prescription drug assistance, and $200.0 is to pay for the cost of applying for the waiver and administering the program.

The bill carries an emergency clause.

FISCAL IMPLICATIONS

The $2,355.0 general fund appropriation is recurring and would leverage $6,095.1 from federal funds. Unexpended or unencumbered balances remaining at the end of FY02 revert to the general fund.

The appropriation exceeds the amount that would be needed for this program in FY02. 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 X $546 X .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.

The bill also provides a $200.0 appropriation to apply for the waiver and to hire one full time equivalent employee to administer it. At most one-quarter of this amount should be needed on a recurring basis. The recurring cost includes the cost of supporting the one FTE; the federal government will share this cost on a 50-50 basis.

ADMINISTRATIVE IMPLICATIONS

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. However, given the appropriation to support the waiver, the department could contract support for this purpose. More importantly, the department points out that the entire appropriation for the program, including some of the $200.0 meant to support the application process, is made contingent upon waiver approval.

DUPLICATION

SB 143 duplicates HB 300**.**

TECHNICAL ISSUES

The HSD analysis indicates that the language in section 1, paragraph A would prohibit eligibility for low-income seniors enrolled in the Qualified Medicare Beneficiaries (QMB) program because they receive Medicaid benefits that cover the cost of Medicare premiums, coinsurance and deductibles.

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