

STORAGE NAME: h1241s1.hcr
DATE: April 14, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
HEALTH CARE STANDARDS & REGULATORY REFORM
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 1241

RELATING TO: Pharmaceuticals/Study Commission

SPONSOR(S): Committee on Health Care Standards & Regulatory Reform and Representative D. Prewitt

STATUTE(S) AFFECTED: None.

COMPANION BILL(S): None.

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) HEALTH CARE STANDARDS & REGULATORY REFORM YEAS NAYS 0
- (2) GOVERNMENTAL RULES & REGULATIONS
- (3) HEALTH & HUMAN SERVICES APPROPRIATIONS
- (4)
- (5)

I. SUMMARY:

This bill creates the Prescription Drug Policy Review Commission composed of 30 appointed members. The members represent various entities or groups such as, the Legislature, the Agency for Health Care Administration, the State Health Officer, the Department of Business and Professional Regulation, and 24 members, including two consumer members, appointed by the Governor representing various other health care related groups. The commission members serve without compensation, and travel costs are paid by the commissioners or the organizations they represent. The two consumer members must pay their own travel costs.

The commission shall hold a minimum of four public hearings, geographically spread around the state to receive testimony and to study the variations in the price of drugs. The study shall cover the following: the manufacturer, wholesale, and retail drug pricing, including the cost, fees, and time involved in providing, dispensing, consulting, and delivering services to institutions and retail sales; review of federal and other state's policies and regulations regarding drug prices: an assessment of the impact of regulatory and market forces: and the "managed care" effect of federal and state "health care reform" on drug pricing.

The chair of the commission shall be elected from among its members and may not be an agency head. The Agency for Health Care Administration (AHCA) shall provide staff and technical assistance to the commission.

No later than June 1, 1998, the commission shall submit a report of its findings and recommendations to the Governor, and various officials of the Legislature.

The bill will have minimal fiscal impact on state government, no fiscal impact on local government or the private sector in general.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Currently, there is no similar state-sponsored commission in existence in Florida. Also, there is no state agency, Department of Health (DOH), Bureau of Pharmacy, or the Board of Pharmacy with the authority to review or study drug pricing.

The Board of Pharmacy is charged with regulating pharmacists and pharmacies. The Bureau of Pharmacy of DOH is charged with reviewing the manufacture of drugs, not the pricing.

However, much study of prescription drug pricing has been conducted in academic circles, industry-sponsored groups, and within various branches of the U.S. Department of Health and Human Services, the Federal Drug Administration, and the U.S. Justice Department.

B. EFFECT OF PROPOSED CHANGES:

The bill creates the Prescription Drug Policy Review Commission composed of 30 appointed members. The members represent various entities or groups such as, the Legislature, the Agency for Health Care Administration (AHCA), the State Health Officer, the Department of Business and Professional Regulation, and 24 members, including two consumer members, appointed by the Governor representing many other health care related groups. The commission members serve without compensation, and travel costs are paid by the commissioners or the organizations they represent. The two consumer members must pay their own travel costs.

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The commission may take testimony from experts in the field of health care cost containment, pharmacy practice, pharmaceutical manufacturing and sales, health care providers and practitioners, and state and federal officials.

The chair of the commission shall be elected from among its members and may not be an agency head. AHCA shall provide staff and technical assistance to the commission.

No later than June 1, 1998, the commission shall submit a report of its findings and recommendations to the Governor, and various officials of the Legislature.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. AHCA must provide staff and technical assistance to the commission.

(3) any entitlement to a government service or benefit?

No. However, AHCA must provide staff and technical assistance.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

Not Applicable.

(2) what is the cost of such responsibility at the new level/agency?

Not Applicable.

(3) how is the new agency accountable to the people governed?

Not Applicable.

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

No.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

Not Applicable.

(2) Who makes the decisions?

Not Applicable.

(3) Are private alternatives permitted?

Not Applicable.

(4) Are families required to participate in a program?

Not Applicable.

(5) Are families penalized for not participating in a program?

Not Applicable.

b. Does the bill directly affect the legal rights and obligations between family members?

No.

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

Not Applicable.

(2) service providers?

Not Applicable.

(3) government employees/agencies?

Not Applicable.

D. SECTION-BY-SECTION RESEARCH:

Section 1. Creates the Prescription Drug Policy Review Commission composed of 30 appointed members. The members represent various entities or groups such as, the Legislature, the Agency for Health Care Administration, the State Health Officer, the Department of Business and Professional Regulation, and 24 members, including two consumer members, appointed by the Governor, representing many other health care related groups. The commission members serve without compensation, and travel costs are paid by the commissioners or the organizations they represent.

The commission shall hold a minimum of four public hearings, geographically spread around the state to receive testimony and to study the variations in the price of drugs. The study shall cover the following: the manufacturer, wholesale, and retail drug pricing, including the cost, fees, and time involved in providing, dispensing, consulting, and delivering services to institutions and retail sales; review of federal and other state's policies and regulations regarding drug prices: an assessment of the impact of regulatory and market forces: and the "managed care" effect of federal and state "health care reform" on drug pricing.

The commission may take testimony from experts in the field of health care cost containment, pharmacy practice, pharmaceutical manufacturing and sales, health care providers and practitioners, and state and federal officials.

The chair of the commission shall be elected from among its members and may not be an agency head. AHCA shall provide staff and technical assistance to the commission.

No later than June 1, 1998, the commission shall submit a report of its findings and recommendations to the Governor, and various officials of the Legislature.

Section 2. Provides an effective date of upon becoming law.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

See Fiscal Comments.

2. Recurring Effects:

See Fiscal Comments.

3. Long Run Effects Other Than Normal Growth:

See Fiscal Comments.

4. Total Revenues and Expenditures:

See Fiscal Comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None. Various private organizations may incur costs related to their members or employees serving on the commission.

2. Direct Private Sector Benefits:

None.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

The information furnished by AHCA stated that to provide technical assistance and support to the commission would be approximately \$52,391 in non-recurring costs. The costs include: one OPS staff person, \$45,902; meeting room rental of \$2,500; and general expenses of \$3,989. AHCA reflected the costs from General Revenue rather than from the agency's trust fund.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

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C. **REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:**

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. **COMMENTS:**

None.

VI. **AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:**

There were three amendments adopted and a committee substitute was made out of the bill. The amendments were as follows:

1. Increased the membership from 28 to 30 members.
2. Increased the membership the Governor appoints from 22 to 24.
3. Increased the membership representing the hospital industry from 1 to 3.

VII. **SIGNATURES:**

COMMITTEE ON HEALTH CARE STANDARDS & REGULATORY REFORM:

Prepared by:

Legislative Research Director:

Robert W. Coggins

Robert W. Coggins