SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 120

SPONSOR: Senators Rossin, Campbell, Dyer, Klein, Mitchell and Geller

SUBJECT: Pharmaceutical Expense Assistance

DATE: February 17, 2001 REVISED: 03/15/01

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Liem	Wilson	HC	Fav/2 amendments
2.			GO	
3.			AHS	
4.			AP	
5.				

I. Summary:

Senate Bill 120 expands eligibility for the pharmaceutical expense assistance program for the elderly by raising the income eligibility level from 120 to 150 percent of the federal poverty level and by removing the requirement that a participant be eligible for Medicaid, thus permitting all Medicare beneficiaries who meet the other eligibility requirements to participate in the program. The bill excludes individuals receiving federal prescription-drug assistance from the program and expands the monthly benefit under the program from $80 to $150 per program participant. The bill requires the Agency for Health Care Administration to annually notify each Medicare recipient of the program as well as provide a toll-free telephone number to obtain information about the program.

The bill amends s. 409.9065, F.S.

II. Present Situation:

Outpatient prescription drugs, which are not covered by Medicare, represent a substantial out-of-pocket burden for many elderly persons. This lack of prescription drug coverage is often cited as a major shortcoming of the Medicare program, the federal health insurance program for older and disabled Americans.

Florida is home to approximately 2.6 million elderly Medicare beneficiaries. Over 90 percent of these elders take one prescribed drug daily, while the average take 7 different medications. There is a direct correlation between advancing age and the number of prescription drugs taken. Although Americans over 65 make up only 12 percent of the population, they take 25 percent of all prescribed drugs sold in the United States. According to the Department of Elder Affairs, over 15 percent of older people keep their expenses down by taking less medication than prescribed, or by going without their medications altogether. This strategy compromises the effectiveness of

controlling the progression of chronic disease, resulting in a greater likelihood that these elders will use hospital emergency rooms or other urgent care.

Approximately 65 percent of non-institutionalized Medicare beneficiaries have some form of prescription drug coverage; however, the level of this coverage varies. Most (59 percent) of these individuals with prescription drug coverage receive their drug coverage through private supplemental insurance, either through employer-sponsored plans or individually purchased private policies. About one-fifth of Medicare beneficiaries with prescription drug coverage are members of Medicare HMOs, which, in an effort to attract seniors, have offered various levels of prescription drug coverage at no additional cost to the enrollee. The scope and availability of Medicare HMO prescription drug coverage varies widely within and across market areas. A number of HMO plans responded to the federal rate changes under the Balanced Budget Act of 1997 by ceasing operations in some counties in Florida, reducing coverage for some (often prescription drug) benefits, or raising prices in areas where the HMO plan determined that rates were inadequate to meet their operational costs. The future of these benefits is uncertain.

Approximately 10 percent of Florida Medicare beneficiaries have coverage through the Medicaid program. Medicaid covers prescription medications for elderly and disabled individuals whose incomes are under 90 percent of the federal poverty level. Medicaid will also pay some medical expenses not covered by Medicare, generally up to Medicaid limits for these individuals.

Medicare Supplement Policies

Part VIII of ch. 627, F.S., establishes regulatory requirements for Medicare supplement policies. Approximately 13 percent of seniors with drug coverage have purchased individual Medicare supplement (Medigap) policies, which cover medical services not covered by Medicare. These supplement policies are labeled by the Department of Insurance, in terms of coverage packages offered, as plans A thru J. Plans labeled H, I, and J provide coverage for prescription medications. Plans H and I pay 50 percent of charges for prescription drugs with a maximum benefit of $1,250 per year. Plan J pays 50 percent of charges for prescription drugs up to $3,000 per year. All Medigap drug plans have a $250 deductible, and pay 50 percent of the cost of the prescription. The cost of supplemental coverage for Medicare beneficiaries may range from $132 to $324 per month, depending on the extent of coverage in the plan selected, age, health status and other factors.

Out-of-Pocket Spending on Prescription Drugs by Seniors

Nationwide, Medicare beneficiaries spend an average of $415 per year on prescription drugs. Individuals who are older, who have poor health status, or who have limitations on their activities, spend twice the average amount per year.

Seniors, as individual purchasers of prescription drugs, tend to be charged higher prices than group purchasers, due in large part to the ability of large group purchasers to shop for and negotiate better prices for both the prescription drug and dispensing services charged by pharmacists. Individuals rarely have the ability to influence either of these prices, and therefore are subject to cost-shifting from groups with more purchasing power.

The Prescription Affordability Act for Seniors

The "Prescription Affordability Act for Seniors," enacted in the 2000 Session of the Florida Legislature, created a pharmaceutical expense assistance program for individuals who qualify for limited assistance under Medicaid as a result of being dually eligible for both Medicaid and Medicare and whose limited assistance or Medicare coverage does not include pharmacy benefits. Eligible individuals are Florida residents who are 65 years of age or older, have incomes between 90 and 120 percent of the federal poverty level, are not enrolled in a Medicare health maintenance organization that provides a pharmacy benefit, and request to be enrolled in the program. Medications covered under this program are those covered under the Medicaid program. Monthly benefit payments are limited to $80 per program participant. Participants are required to make a 10 percent coinsurance payment for each prescription purchased through the program. The act appropriated $15 million from the General Revenue Fund to the Agency for Health Care Administration to implement the pharmaceutical expense assistance program effective January 1, 2001. Additionally, $250,000 is appropriated from the General Revenue Fund to the agency to administer the program. Rebates collected from drug manufacturers under this program are to be used to help finance the program.

III. Effect of Proposed Changes:

Section 1. Amends s. 409.9065, F.S., to remove the requirement that participants in the pharmaceutical expense assistance program be low income and eligible for Medicaid; raise the maximum income level under the program from 120 to 150 percent of the federal poverty level; add a requirement that participants not be receiving prescription drug assistance from the Federal Government; raise the benefit under the program from $80 to $150 dollars per month; and require the Agency for Health Care Administration to annually notify each Medicare beneficiary concerning the program and provide a toll-free telephone number to obtain additional information concerning the program.

Section 2. Provides an effective date of July 1, 2001.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Article I, Subsections 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Some pharmacies may see a decrease in profit from the sales of certain prescription medications to seniors who formerly were paying more for these medications. However, pharmacies and drug manufacturers will benefit from the additional revenues.

More seniors will be able to afford more of their prescription medicines, however drug costs for people without prescription drug benefits could rise to compensate for the reduction in profits to pharmacies and drug manufacturers.

C. Government Sector Impact:

The bill will require additional appropriations to fund the expanded eligibility and benefit levels under the program, conduct eligibility determination, and annually notify all Medicare beneficiaries of the program.

The Agency for Health Care Administration estimates its non-recurring start-up costs to be $500,000. These costs include costs for system changes, development of applications, and development of ID cards.

The Agency for Health Care Administration estimates the following recurring costs. The increase in eligibility and benefits will cost $234,000,000 per year for the 130,000 participants being added to the program. In addition, the increase from $80 to $150 per month available for the 30,000 current participants has a potential annual cost of $25,200,000. The maximum combined annual fiscal impact of new participants and increased benefits for current participants is estimated at $259,200,000. This does not include administrative overhead, capital expenditures or personnel costs. Revenues from drug rebates are estimated to be $46,656,000 per year. These revenues would offset part of the costs listed above.

This fiscal impact estimation does not include the $15,250,000 appropriated from the General Revenue Fund for FY 2000-01. The Executive Budget for FY 2001-02 recommended by the Governor shifts this funding to the Tobacco Settlement Trust Fund and provides for an additional $15,250,000 to annualize the funding to a total of $30,500,000. This amount will provide funding for coverage of individuals who are eligible under current law.

Additional claims processing costs are expected to be $956,592 per year.

The cost of annually notifying Medicare recipients about the program is estimated to be $1,400,000.

The costs of eligibility determination are yet to be determined.

VI. Technical Deficiencies:

Subsection (8) in the bill requires the Agency for Health Care Administration to annually notify each Medicare recipient of the program. It is doubtful that the intent is to notify Medicare recipients who are not residents of the State of Florida. Also, the bill does not limit the notification requirement to Medicare recipients over the age of 65 or Medicare recipients under a specified income level. According to the Agency for Health Care Administration, there are currently 2,770,576 aged and disabled Medicare recipients in the State of Florida.

The bill does not specify which state government entity will conduct eligibility determination for the Medicare recipients who are not also Medicaid recipients. Section 409.902, F.S., designates the Department of Children and Family Services as the agency responsible for Medicaid eligibility determination. The proposed changes in the bill create a population (Medicare recipients with incomes between 120 and 150 percent of the federal poverty level) for which information is not currently gathered or maintained by any state agency.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Health, Aging and Long-Term Care:
Requires Department of Children and Family Services to determine eligibility for the program. (WITH TITLE AMENDMENT)

#2 by Health, Aging and Long-Term Care:
Clarifies that annual notification is to Medicare recipients over the age of 65 residing in Florida.