

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 7045 PCB GO 06-16 OGSR Supplemental Rebate Agreements
SPONSOR(S): Governmental Operations Committee, Rivera
TIED BILLS: None **IDEN./SIM. BILLS:** SB 516

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.: Governmental Operations Committee	5 Y, 0 N	Williamson	Williamson
1) Health Care Regulation Committee	8 Y, 0 N	Bell	Mitchell
2) State Administration Council		Williamson	Bussey
3) _____			
4) _____			
5) _____			

SUMMARY ANALYSIS

The Open Government Sunset Review Act requires the Legislature to review each public records and each public meetings exemption five years after enactment. If the Legislature does not reenact the exemption, it automatically repeals on October 2nd of the fifth year after enactment.

The bill reenacts the public records exemption relating to supplemental rebate agreements. It narrows the exemption by removing the public records exemption for trade secrets. It reenacts the public meetings exemption for the Medicaid Pharmaceutical and Therapeutics Committee. In addition, it requires that a record be made of each portion of an exempt meeting. The exemptions will repeal on October 2, 2006, if this bill does not become law.

This bill may have a fiscal impact on state government. It does not appear to have a fiscal impact on local governments.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide limited government – The bill narrows the public records exemption thereby increasing public access to government information. The bill requires the Medicaid Pharmaceutical and Therapeutics Committee to make a record of each portion of an exempt meeting.

B. EFFECT OF PROPOSED CHANGES:

Background

The 2001 Florida Legislature significantly expanded its efforts to control pharmaceutical costs in the state's Medicaid program by enacting a program called the preferred drug list (PDL).¹ Under this law, Medicaid prescribing practitioners are required to prescribe the medications on the PDL, or must obtain prior authorization from the Agency for Health Care Administration (AHCA) to prescribe a medication not on the PDL, in order for Medicaid to pay for the prescription.

In order for a drug manufacturer to have its medications considered for inclusion on the PDL, it must agree to provide the state both federally mandated rebates and state-mandated supplemental rebates. Since rebate negotiations involve disclosure by pharmaceutical manufacturers of proprietary information regarding the elements of their wholesale pricing, federal law prohibits disclosure of information received by Medicaid agencies from manufacturers that discloses identities of manufacturers or wholesalers or the prices charged by these manufacturers or wholesalers.² The federal prohibition applies to the U.S. Secretary of the Department of Health and Human Services, the U.S. Secretary of Veterans Affairs, or a state agency or contractor.

To address the federal confidentiality requirements and to ensure the use of this pricing information for negotiating state supplemental rebate agreements, the 2001 Legislature enacted a public records and public meetings exemption related to rebate negotiations.³ Trade secrets, rebate amount, percent of rebate, manufacturer's pricing, and supplemental rebates with respect to supplemental rebate negotiations are confidential and exempt⁴ from public records requirements.

According to Senate interim project report 2006-219, the state supplemental rebate negotiation process has been facilitated by this exemption and has been successful in benefiting the people of Florida. Since its implementation in 2002, the PDL program has generated over \$262 million in state supplemental rebates, with \$292 million in additional costs savings projected for Fiscal Year 2005-2006, a significant portion of which will be derived from supplemental rebate negotiations.

Current law also provides a public meetings exemption applicable in limited circumstances. Portions of meetings of the Medicaid Pharmaceutical and Therapeutics Committee are exempt from public meetings requirements if the aforementioned confidential and exempt records are discussed.⁵

¹ Chapter 2001-104, L.O.F.

² 42 U.S.C. 1396r 8

³ Chapter 2001 216, L.O.F.; codified in s. 409.91196, F.S.

⁴ There is a difference between records that are exempt from public records requirements and those that are *confidential* and exempt. If the Legislature makes a record confidential and exempt, such record cannot be released by an agency to anyone other than to the persons or entities designated in the statute. See Attorney General Opinion 85-62. If a record is simply made exempt from disclosure requirements, an agency is not prohibited from disclosing the record in all circumstances. See *Williams v. City of Minneola*, 575 So.2d 683, 687 (Fla. 5th DCA), review denied, 589 So.2d 289 (Fla. 1991).

⁵ Section 409.91196(2), F.S.

Pursuant to the Open Government Sunset Review Act,⁶ the exemption will repeal on October 2, 2006, unless reenacted by the Legislature.⁷ House staff reviewed the public records and public meetings exemption pursuant to the Open Government Sunset Review Act and determined that, with modification, the exemption meets the requirements for reenactment.⁸ Based on AHCA's survey response, it appeared that the public records exemption for trade secrets was unnecessary because AHCA stated that rebate agreements and supplemental rebate amounts were trade secrets for purposes of the exemption. Such information is protected under the current public records exemption.

Effect of Bill

The bill removes the repeal date, thereby reenacting the public records and public meetings exemptions. It narrows the public records exemption by removing the exemption for trade secrets.

The bill requires the Medicaid Pharmaceutical and Therapeutics Committee, which is created within AHCA,⁹ to make a record of each portion of an exempt meeting. The record must include the time of commencement and termination, all discussions and proceedings, the names of all persons present at any time, and the names of all persons speaking. The record of the exempt portion of a meeting is a public record; however, the rebate amount, percent of rebate, manufacturer's pricing, and supplemental rebate included in the record is confidential and exempt from public disclosure because of the public records exemption already afforded AHCA.¹⁰

Finally, the bill makes editorial changes and removes superfluous language.

C. SECTION DIRECTORY:

Section 1 amends s. 409.91196, F.S., to remove the repeal date.

Section 2 provides an effective date of October 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The bill does not create, modify, amend, or eliminate a state revenue source.

2. Expenditures:

See FISCAL COMMENTS.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill does not create, modify, amend, or eliminate a local revenue source.

2. Expenditures:

The bill does not create, modify, amend, or eliminate local expenditures.

⁶ Section 119.15, F.S.

⁷ Section 409.91196(3), F.S.

⁸ Staff surveyed and interviewed AHCA staff.

⁹ Section 409.91195, F.S.

¹⁰ See s. 409.91196(1), F.S.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The bill requires the Medicaid Pharmaceutical and Therapeutics Committee, which is a part of AHCA, to maintain a record of exempt portions of meetings. This could create a negative fiscal impact; however, the committee already hires a court reporter to keep a record of the open portion of the meeting. As such, additional expenditures should be avoided.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

Open Government Sunset Review Act

The Open Government Sunset Review Act sets forth a legislative review process for newly created or substantially amended public records or public meetings exemptions. It requires an automatic repeal of the exemption on October 2nd of the fifth year after creation or substantial amendment, unless the Legislature reenacts the exemption.

The Act provides that a public records or public meetings exemption may be created or maintained only if it serves an identifiable public purpose, and may be no broader than is necessary to meet one of the following purposes:

- Allowing the state or its political subdivisions to effectively and efficiently administer a governmental program, which administration would be significantly impaired without the exemption;
- Protecting sensitive personal information that, if released, would be defamatory or would jeopardize an individual's safety. However, only the identity of an individual may be exempted under this provision; or,
- Protecting trade or business secrets.

If, and only if, in reenacting an exemption that will repeal, the exemption is expanded (essentially creating a new exemption), then a public necessity statement and a two-thirds vote for passage are required because of the requirements of Art. 1, s. 24(c), Florida Constitution. If the exemption is reenacted with grammatical or stylistic changes that do not expand the exemption, if the exemption is narrowed, or if an exception to the exemption is created (e.g., allowing another agency access to the confidential or exempt records), then a public necessity statement and a two-thirds vote for passage are not required.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.