

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: CS/SB 420

SPONSOR: Health, Aging and Long-Term Care Committee and Senator Brown-Waite

SUBJECT: Pharmacy Discount Program

DATE: March 16, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Munroe	Wilson	HC	Favorable/CS
2.	_____	_____	GO	_____
3.	_____	_____	FT	_____
4.	_____	_____	AHS	_____
5.	_____	_____	AP	_____
6.	_____	_____	_____	_____

I. Summary:

The Committee Substitute for SB 420 creates the Pharmacy Discount Program, a new optional Medicaid service, subject to specific federal authorization. Under the program, eligible individuals will receive a financial subsidy for prescription drugs equal to the average rebate and any supplemental rebate paid to the Medicaid program by pharmaceutical manufacturers. Eligibility for the program is extended to Medicare beneficiaries and uninsured persons who are Florida residents age 65 and over and who have incomes up to 300 percent of the federal poverty level (\$25,770 for a family size of 1; \$52,950 for a family size of 4) and who do not have a health insurance program that includes a prescription drug benefit or any separate prescription drug benefit. The bill provides that the program shall not create an entitlement.

The Agency for Health Care Administration must submit a request to the federal Health Care Financing Administration for a service coverage waiver specific to the pharmacy discount program. The Department of Children and Family Services must determine eligibility for the pharmacy discount program.

This bill amends section 409.906, Florida Statutes, and creates one undesignated section of law.

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.

Florida Senior Prescription Program

In 2000, the Florida Legislature established a pharmaceutical expense assistance program for seniors. The pharmaceutical expense assistance program which took effect on January 1, 2001, assists 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 65 years of age or older, who 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 benefits 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 program is administered by the Agency for Health Care Administration, in consultation with the Department of Elderly Affairs. The agency must establish eligibility requirements, limits on participation, benefit limitations, a requirement for generic drug substitution and other program parameters comparable to those of the Medicaid program.

As a condition of participation in the Medicaid program or the pharmaceutical expense assistance program, a pharmacy must agree to charge any Medicare beneficiary who presents a Medicare card when they present a prescription a price no greater than the cost of ingredients equal to the average wholesale price minus 9 percent, and a dispensing fee of \$4.50. In lieu of this requirement, and as a condition of participation in the Medicaid program or the pharmaceutical expense assistance program, a pharmacy must agree to provide a private voluntary prescription discount program to state residents who are Medicare beneficiaries or accept a private voluntary discount prescription program from state residents who are Medicare beneficiaries. This discount must be at least as great as the discount described above.

Vermont Drug Program

On November 3, 2000, the federal Health Care Financing Administration approved a waiver permitting the State of Vermont to use the Medicaid program to extend discounts on prescription drugs to about 70,000 people who were not otherwise eligible for the state's Medicaid program. The State of Vermont would allow all seniors who are not already covered by state-funded programs and all other adults without a drug benefit whose income falls below 300 percent of the federal poverty level to receive discounts on their prescription drugs.

Drug-Buying Clubs

A variety of new companies are offering discount prices on prescription drugs for people who have insurance that does not provide pharmacy benefits or who are uninsured. The American Association of Retired Persons (AARP) has a mail-order pharmacy in which members pay a \$15 enrollment fee and save an average of \$9.46 per prescription according to the AARP Member Choice® program. YourRxPlan®, collaboration between Reader's Digest and Merck-Medco provides a discount prescription service for persons who do not have coverage for an annual fee of \$25 for individuals and \$40 for families in which consumers save up to 40 percent on prescription drugs. Under drug buying club plans, members may order medications by mail, via the Internet®, by telephone, or through participating pharmacies. These companies assist people who do not have access to an organization or employer to negotiate lower discounts for prescription drugs.

State Initiatives to Establish Drug-Buying Clubs

Several states have established prescription "buyer's clubs" by law and several buyers clubs have been established by executive action. The State of Washington is establishing a state-sponsored purchasing alliance for seniors aged 55 or older who are Washington residents and who have no prescription drug coverage to buy prescription drugs at a reduced cost. The Governor of the State of Washington directed the Department of Health and the Administrator to take all administrative actions necessary to implement a program to provide prescription drug price discounts negotiated through the Health Care Authority to Washington citizens aged 55 and older. Under the AWARDS (A Washington Alliance to Reduce Prescription-Drug Spending) program, members pay the AWARDS discount price when buying prescription drugs from a participating pharmacy and showing a valid membership card or when buying drugs by mail. Under the program, seniors aged 55 and older will pay \$15 per individual or \$25 per family to receive discounts of up to 12 to 30 percent for prescription drugs from participating pharmacies.

AWARDS members may get larger discounts if they use the mail service to purchase prescriptions under the AWARDS program. The AWARDS program will only operate if the State of Washington can enter into a contract with a pharmacy benefits manager where the contract provides that the program will operate at no cost to the state.

The AWARDS program contracted with a pharmacy benefits manager, Merck Medco, a pharmaceutical benefits company that already negotiates medication discounts for public employees to provide the drug buyer's club. Under the AWARDS program, the pharmacy benefits manager is responsible for pharmacy benefits management services, member enrollment, the AWARDS pharmacy network, the provision of assessment data, and administrative duties through a contract with the State of Washington. A reduced cost for prescription drugs is set by contract between the state and the pharmacy benefits manager. The administrative costs for the AWARDS program are covered by the enrollment fee.

The State of Iowa received \$1million in federal funds through the United States Health Care Financing Administration to establish a demonstration project in the state to lower pharmaceutical costs for individuals and other purchasers through the establishment of a prescription drug cooperative. Individuals, employers, insurers, and local pharmacies are eligible to join the cooperative. Individuals would pay no more than a minimal fee to join the cooperative. Through the cooperative, members would pay a discounted rate when purchasing prescription drugs.

The State of West Virginia established by executive action a program (Senior Prescription Assistance Network II) to allow its residents aged 65 and older who are Medicare beneficiaries and who do not currently have pharmacy benefits, or who have limited coverage for prescription drug benefits, to receive discounts on their prescription drugs. The program may not be used in conjunction with other discount programs or with any other coverage for prescription drug benefits. To qualify for participation in SPAN II, the applicant's total income for 1999 must be \$25,000 or less for a single person, or \$33,750 or less for two people. Individuals with more dependents may still qualify with a graduated income scale.

Under the SPAN II program, the state contracts with a pharmacy benefits manager (Advanced PCS) to negotiate a discount price that allows pharmacists to voluntarily participate in the program. SPAN recipients pay the average wholesale price minus 13 percent for brand-name drugs and the average wholesale price minus 15 percent for generic drugs with exceptions. In addition, the recipients pay a dispensing fee of \$3.40 of which \$0.25 goes to the pharmacy benefits manager and \$0.15 goes to the State of West Virginia to cover administrative costs. According to State officials, approximately 3000 seniors have used the program since its inception in December, 2000 with an average discount of 20 percent off their retail drug purchases. The SPAN recipients do not pay a membership fee and there are no premiums or deductibles.

III. Effect of Proposed Changes:

The bill creates the Pharmacy Discount Program, a new optional Medicaid service, subject to specific federal authorization. Under the program, eligible individuals will receive a financial subsidy for prescription drugs equal to the average rebate and any supplemental rebate paid to

the Medicaid program by pharmaceutical manufacturers. Eligibility for the program is extended to Medicare beneficiaries and uninsured persons who are Florida residents age 65 and over and who have incomes up to 300 percent of the federal poverty level (\$25,770 for a family size of 1; \$52,950 for a family size of 4) and who do not have a health insurance program that includes a prescription drug benefit or any separate prescription drug benefit. The bill provides that the program shall not create an entitlement.

The Agency for Health Care Administration must submit a request to the federal Health Care Financing Administration for a service coverage waiver specific to the pharmacy discount program. The Department of Children and Family Services must determine eligibility for the pharmacy discount program.

The bill provides an effective date of October 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 Art. VII, s. 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 Art. I, s. 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 Art. III, s. 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Eligible individuals who enroll in the Pharmacy Discount Program would save on their prescribed drug purchases. Such individuals will receive a financial subsidy for prescription drugs equal to the average rebate and any supplemental rebate paid to the Medicaid program by pharmaceutical manufacturers.

Pharmaceutical manufacturers would be affected by a potential loss of income to the extent that the discounts to eligible persons in the Pharmacy Discount Program would be financed by these manufacturers equal to the average rebate and any supplemental rebate paid to the Medicaid program.

C. Government Sector Impact:

The Agency for Health Care Administration will incur costs to initially establish and to administer the Pharmacy Discount Program. The Agency for Health Care Administration's recurring costs associated with the bill's implementation will depend upon the level of enrollment in the Pharmacy Discount Program.

The Department of Children and Family Services will incur costs to make eligibility determinations for the Pharmacy Discount Program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
