

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 351** HLS 15RS 1211
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: April 16, 2015 1:04 PM	Author: LEBAS
Dept./Agy.: Office of Group Benefits (OGB)/LSU First	Analyst: Travis McIlwain
Subject: Mail Order Pharmacy	

INSURANCE/GROUP-STATE OR +\$386,000 SG EX See Note Page 1 of 1
 Provides relative to pharmacy services

Proposed bill prohibits state employers providing pharmacy services in an employer-provided health plan for state employees from requiring state employees or state retirees to obtain prescription drugs from a mail order pharmacy as a condition of receiving payment for such drugs.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$386,000	\$386,000	\$386,000	\$386,000	\$386,000	\$1,930,000
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$386,000	\$386,000	\$386,000	\$386,000	\$386,000	\$1,930,000

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed legislation is anticipated to result in an annual increase in OGB expenditures of approximately \$386,000. OGB's current pharmacy benefit manager (PBM), MedImpact, offers an incentive to diabetic OGB members that participate in the mail order program (receiving insulin medications through mail order) which results in free diabetes supplies (syringes, test strips, etc.). Due to MedImpact negotiating a lower cost for insulin from the mail order pharmacy program, OGB estimates the anticipated cost increase related to this legislation to be approximately \$386,000 annually.

In addition, to the extent OGB's mail order program is discontinued, diabetic OGB members' out-of-pocket costs will increase due to paying for the supplies that would otherwise have been offered at no cost to the member.

According to LSU First, there are currently no mail order pharmacy requirements or incentives offered to its members. All LSU First health plan members have the option to participate in mail order or retail.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. However, if numerous pieces of legislation are enacted that increase the overall costs of the OGB program, the OGB may be required to increase premiums. For **illustrative purposes**, using a medical loss ratio of 0.85 the potential revenue increase needed to offset the projected expenditure increase is approximately \$454,000, or \$0.17 per member per month.

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Evan Brasseaux
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