Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 116 of the 131st G.A. **Date**: June 26, 2015

Status: As Reported by House Health and Aging **Sponsor**: Reps. Brown and Ginter

Local Impact Statement Procedure Required: Yes

Contents: Regarding insurance and Medicaid coverage of medication synchronization

State Fiscal Highlights

- The bill may increase or decrease the cost to the state to provide health benefits to employees and their dependents. Benefits and claims related to the state employee health benefit plan are paid out of the State Employee Health Benefit Fund (Fund 8080).
- The medication synchronization requirements under the bill may increase dispensing fee payments under the Medicaid Program. There could be up to one additional dispensing fee per year per maintenance medication per Medicaid patient.

Local Fiscal Highlights

- The requirement related to health insurers may increase or decrease the costs to local governments to provide health benefits to employees and their dependents. Any political subdivision that already provides the required coverage would experience no effect on costs.
- If a county is providing nonemergency transportation to a Medicaid recipient to pick up their prescription drugs, the county could experience a decrease in costs assuming the Medicaid recipient would only need transportation to the pharmacy once a month.

Detailed Fiscal Analysis

Health insurers

The bill requires health insurers that provide prescription drug coverage to provide coverage for "medication synchronization" if certain conditions are met. Under the bill, "medication synchronization" means "a pharmacy service that synchronizes the filling or refilling of prescriptions in a manner that allows the dispensed drugs to be obtained on the same date each month." Health insurers in this bill include health insuring corporations (HICs), sickness and accident insurers, multiple employer welfare arrangements, and public employee benefit plans. The bill applies to policies, contracts, and agreements that are created, delivered, issued, renewed, or modified on or after January 1, 2016.

The bill requires insurers to authorize coverage of a prescription drug subject to medication synchronization when the drug is dispensed in a quantity or amount that is less than a 30-day supply; this requirement applies only once for each prescription drug subject to medication synchronization for the same insured, unless the prescriber changes the dosage or frequency of administration of such prescription drug or prescribes a different drug. The bill requires insurers to apply a prorated daily cost-sharing rate for a supply of a drug that is dispensed in conjunction with medication synchronization at a network pharmacy. The bill prohibits a policy, contract, agreement, or plan from using payment structures that incorporate dispensing fees that are determined by calculating the days' supply of drugs dispensed. The bill specifies that dispensing fees must be determined exclusively on the total number of prescriptions that are filled or refilled. The bill specifies that the requirements do not apply to prescriptions for drugs that are Schedule II controlled substances, substances containing opiates, or benzodiazepines.

The bill specifies that an insurer is not required to provide to a network pharmacy or a pharmacist at a network pharmacy any monetary or other financial incentive for the purpose of encouraging the pharmacy or pharmacist to recommend medication synchronization to an insured.

The bill provides that a pharmacist may dispense a drug in a manner that varies from the prescription for the drug by dispensing a quantity or amount of the drug that is less than a 30-day supply, if the pharmacist's action is taken solely for the purpose of medication synchronization specified under this bill.

Fiscal effect

The requirements under the bill may increase or decrease costs to the state employee health benefit plan and to local governments' health benefit plans. Any increase or decrease in insurance premiums to such plans would increase or decrease costs to the state or local governments, respectively, to provide health benefits to

employees and their dependents. Benefits and claims related to the state employee health benefit plan are paid out of the State Employee Health Benefit Fund (Fund 8080).

Medication synchronization has been shown in some studies to result in greater patient compliance with prescription regimens, which has the potential to reduce medical complications from noncompliance, thereby reducing health insurance costs overall. LSC staff have not conducted a thorough review of these studies as of this writing, but at least one such study[1] combines medication synchronization with an appointment-based approach, and LSC staff are unsure to what extent the study identifies whether the improvements in compliance found are attributable to (1) medication synchronization, (2) the appointment-based approach, or (3) the two combined. The potential for cost savings from medication synchronization alone, therefore, may not be well-established yet. Moreover, health insurers could implement these provisions voluntarily if they believed that cost savings are the likely result, and the bill makes these provisions a requirement. The bill's requirements also have the potential to increase insurers' costs, including administrative costs. Since the savings are available without the bill's requirements, its requirements therefore seem on balance to lead to any of the logical possibilities: (1) no change in health insurers' costs; (2) a decrease in their costs; or (3) an increase in their costs.

If some local government plans already provide coverage for medication synchronization, it would not affect their costs. LSC staff are unable to quantify the bill's fiscal impact on local governments due to lack of information related to medication synchronization under their employee health benefit plans, and lack of data on potential cost increases or decreases. Despite the uncertainties caused by data limitations, though, it is possible that the costs to local governments may exceed $100,000 per year statewide.

Medicaid

The bill requires the Medicaid Program, including Medicaid managed care organizations, to provide coverage for medication synchronization, if specified conditions are met.

Fiscal effect

The medication synchronization requirements under the bill may increase dispensing fee payments under the Medicaid Program. According to the Ohio Department of Medicaid (ODM), there could be up to one additional dispensing fee per year per maintenance medication per Medicaid recipient. There are currently 2.98 million Medicaid recipients. The current dispensing fee is $1.80 per claim under fee for service (FFS).

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[1] The study referred to is "Adherence and Persistence Associated with an Appointment-Based Medication Synchronization Program," by David A. Holdford and Timothy J. Inocenzio, published in the November 1, 2013 edition of the *Journal of the American Pharmacists Association*.

Furthermore, the bill could increase medication adherence, which might result in an increase in pharmacy costs but also a decrease in overall medical costs under the Medicaid Program.

Lastly, if a county is providing non-emergency transportation to a Medicaid recipient to pick up their prescription drugs, the county could experience a decrease in costs assuming the Medicaid recipient would only need transportation to the pharmacy once a month.

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