Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 116 of the 131st G.A.

Date: April 28, 2015

Status: As Introduced

Sponsor: Reps. Brown and Ginter

Local Impact Statement Procedure Required: Yes

Contents: To provide for partial drug prescription refills for the purpose of synchronizing multiple prescriptions for one patient

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.
- There could be a one-time increase in administration costs to reprogram the Pharmacy Benefit Manager system.

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, including public employee benefit plans, that provide prescription drug coverage to provide coverage for "medication synchronization" if certain conditions are met. 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 denying coverage for any drug dispensed in accordance with a medication synchronization plan. The bill specifies that the requirements do not apply to prescriptions for drugs that are Schedule II controlled substances, substances containing opiates, or benzodiazepines.

Under the bill, "medication synchronization" means "a pharmacy service that coordinates the filling, refilling, or short filling of all of a covered individual's chronic prescription drugs in a manner that allows the patient to pick up all of the prescriptions in question on the same date each month." The bill defines a "short fill" as providing "a supply of a drug that is less than the prescribed amount."

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 arrangements, policies, contracts, and agreements that are created, delivered, issued, renewed, or modified in this state on or after January 1, 2016.

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. Some prescription cost savings may be possible from greater use of "short fills" of medications. 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

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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*.

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).

In order to pro-rate cost sharing and set up the programming for the pharmacies to indicate they are short filling as part of the medication synchronization, Pharmacy Benefit Managers (PBMs) will need to reprogram their systems. According to ODM, the Department is in the process of procuring a new PBM, so it would be administratively simpler to include the new requirement in the new contract. If medication synchronization is required before the new contract is established, there could be reprogramming costs.

Furthermore, as noted above, 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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