Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

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

Date: May 12, 2016

Status: As Passed by the Senate

Sponsor: Reps. Brown and Ginter

Local Impact Statement Procedure Required: Yes

Contents: Regarding insurance and Medicaid coverage of medication synchronization, professional discipline for actions involving dangerous drugs, consult agreements between pharmacists and physicians, pharmacists dispensing or selling drugs without a prescription, prescriptive authority of physician assistants, and acceptance of a certificate of need application for a new nursing home

State Fiscal Highlights

- The bill's medication synchronization requirement for health insurers 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.
- The bill requires the Director of the Ohio Department of Health (ODH) to review one certificate of need (CON) application for the establishment, development, and construction of a new nursing home if certain conditions are met. As a result, ODH could realize a minimal increase in administrative costs and a subsequent minimal gain in CON application revenues.
- The bill may negligibly increase administrative costs to the State Medical Board to review and approve certain applications regarding physician assistant's prescriptive authority.

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, 2017.

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.

[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*.

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).

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 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.

Department of Health

The bill requires the Director of Health to accept for review one certificate of need (CON) application for the establishment, development, and construction of a new nursing home if certain conditions are met. One condition is that none of the beds are proposed to be certified for participation in the Medicaid Program. In reviewing the application, the Director must not deny an application on the grounds that the new nursing home is to have less than 50 beds or require the applicant to obtain a waiver of the minimum 50-bed requirement established in rules.

Fiscal effect

The Ohio Department of Health (ODH) could experience a minimal increase in administrative costs to review the application; however, the CON program is fee-based. Therefore, ODH would receive a minimal gain in revenue from the application fee, which would be deposited into the Certificate of Need Fund (Fund 4710). CON fees are as follows: if the project does not involve a capital expenditure, the fee is $5,000, and if the project involves a capital expenditure, the fee is the greater of $5,000 or 1.5% of the capital cost of the project, up to $20,000.

State Medical Board

On application of an individual who received a license without having first obtained a master's or higher degree and is not authorized to exercise physician-delegated prescriptive authority, the bill requires the State Medical Board to grant the individual the authority to exercise physician-delegated prescriptive authority if the applicant meets certain requirements and had prescriptive authority while practicing as a physician assistant in another jurisdiction, in any of the armed forces of the United States or the National Guard of any state, or in the United States Public Health Service Commissioned Corps.

Fiscal effect

According to the Board, there would be a negligible increase in administrative costs to review and approve these applications.

Other provisions

The bill contains provisions related to professional discipline for actions involving dangerous drugs, consult agreements between pharmacists and physicians, and pharmacists dispensing or selling drugs without a prescription. These provisions would have no direct fiscal effects.

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