

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 117** SLS 16RS 265

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 11, 2016	1:59 PM	<b>Author:</b> MILLS
<b>Dept./Agy.:</b> DHH/Medicaid		<b>Analyst:</b> Shawn Hotstream
<b>Subject:</b> P&T Committee		

MEDICAID EG DECREASE GF EX See Note Page 1 of 1  
Provides for the Medicaid Pharmaceutical and Therapeutics Committee. (gov sig)

Proposed law provides that any new drug approved by the US Food and Drug Administration may be added to the preferred drug list when it becomes commercially available and the manufacturer enters into a Federal Medicaid Drug Rebate Program if the department determines it is in the best interest of the Medical Assistance program.

Proposed law provides that when a new drug that is included in the Medicaid Pharmaceutical and Therapeutics (P&T) Committee process is approved by the US FDA, the drug shall be reviewed at the next Medicaid P&T Committee.

<b>EXPENDITURES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						
<b>REVENUES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law authorizes the Medicaid Pharmacy program to either add a drug to the preferred drug list when it become commercially available, or to require prior authorization prior to being reviewed by the Medicaid Pharmaceutical and Therapeutics Committee. To the extent a prior authorization would be required on a new drug prior to a P&TC decision, savings of an indeterminable amount are estimated to be realized. Savings estimates are based on utilization of established preferred drugs instead of utilization of newly marketed costly alternatives, and the loss of rebate revenues on the established preferred drugs.

DHH anticipates a \$3.8 M reduction in Fee for Service pharmacy expenditures (cost avoidance) in FY 17 and future years. This estimate is based on actual pharmacy claims and invoice data provided by Magellan (DHH supplemental rebate/Preferred Drug List contractor) for calendar year 2014 and 2015. This data indicates a higher cost associated with a gain in market share of newly released drugs which do not require prior authorization, resulting in additional pharmacy costs and loss of supplemental rebates.

**REVENUE EXPLANATION**

Any reductions in Medicaid payments result in a corresponding reduction in federal matching funds.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

**John D. Carpenter**  
**Legislative Fiscal Officer**