

**STORAGE NAME:** H2151.ga  
**DATE:** March 24, 2000

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
GENERAL APPROPRIATIONS  
ANALYSIS**

**BILL #:** HB 2151 (PCB GA 00-19)  
**RELATING TO:** Reducing the cost of government -- Medicaid Prescription Drugs  
**SPONSOR(S):** Committee on General Appropriations and Representative Sanderson  
**TIED BILL(S):**

**ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:**

- (1) GENERAL APPROPRIATIONS YEAS 17 NAYS 0
  - (2)
  - (3)
  - (4)
  - (5)
- 

**I. SUMMARY:**

PCB GA 00-19 amends the statute relating to the cost-effective purchase of health care under the Medicaid program in order to implement a spending cut made in the 2000-2001 General Appropriations Act. Because the cuts made within this program are recurring in nature and affect the base upon which future budgets will be built, permanent changes to the law are necessary.

This bill requires the Agency for Health Care Administration (AHCA) to implement a Medicaid prescribed drug spending control program to further the cost-effectiveness of purchasing health care for Medicaid recipients. Under this program, adult Medicaid beneficiaries not residing in nursing homes or other institutions will be limited to four brand name drugs. Children, institutionalized adults, anti-retroviral agents, and certain medications used to treat mental illnesses would remain exempt from this restriction. PCB GA 00-19 allows for the reimbursement level to pharmacies for Medicaid prescribed drugs to be set at the average wholesale price minus 15 percent. Moreover, this bill provides that manufacturers of generic drugs prescribed to Medicaid patients, must guarantee the state a rebate of at least 15.1 percent of the total Medicaid payment for their generic products.

Specifically, this bill requires AHCA to establish a process to manage the drug therapies of Medicaid recipients who require a significant number of prescribed medications each month.

In addition, this bill authorizes AHCA to:

- Limit the size of its pharmacy network
- Establish a program that requires Medicaid practitioners prescribing drugs to use a counterfeit-proof prescription pad for Medicaid prescriptions
- Contract for any or all portions of the program

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- |                                   |                              |                             |   |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u>         | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u>             | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u>      | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u>      | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Currently, Florida Medicaid's Prescription Drug Program operates within an open formulary, covering all medically necessary drugs for patients under twenty-one, and most drugs for adults. In total, over 300,000 drugs are covered by the Program. Nearly 98 percent of the Medicaid pharmacy budget is spent on approximately 6000 drugs, whereas over 20 percent of the total pharmacy budget is spent on just 12 drugs.

Presently, the only exceptions to the types of drugs offered by the Program are:

- cough and cold drugs for patients twenty-one and older
- drugs for cosmetic purposes
- over the counter drugs (with certain exceptions)
- hospital inpatient drugs.

Coupled with this, the current program limits monthly drugs to six prescriptions (with exceptions) for community patients, and eight prescriptions (with exceptions) for institutional patients; allowing for a 30- to 100-day supply of each prescription.

C. EFFECT OF PROPOSED CHANGES:

**Monthly Limit on Recipient Drugs**

This bill requires the Agency for Health Care Administration (AHCA) to implement a Medicaid prescribed drug spending control program to further the cost-effectiveness of purchasing health care for Medicaid recipients. Under this program, adult Medicaid beneficiaries not residing in nursing homes or other institutions will be limited to four brand name drugs. Children, institutionalized adults, anti-retroviral agents, and certain medications used to treat mental illnesses would remain exempt from this restriction. Despite this restriction, unlimited generics and diabetic supply items would remain available to all Medicaid patients.

**Reduction in Ingredient Prices**

PCB GA 00-19 allows for the reimbursement level to pharmacies for Medicaid prescribed drugs to be set at the average wholesale price minus 15 percent, thereby reducing ingredient prices to the levels paid by other insurers.

**Drug Benefit Management**

This component will subject requests for prescriptions exceeding a pre-set threshold number of drugs per month (e.g., nine or more drugs per month), to a comprehensive, physician-directed medical record and claims review, and a case evaluation to determine the medical necessity and appropriateness of the treatment plan.

**Pharmacy Network Controls**

By authorizing AHCA to limit the size of the pharmacy network based on need, competitive bidding, price negotiations, credentials, and other criteria will ultimately allow the state to achieve a significant cost savings through market competition.

**Generic Rebates Program**

Requiring state rebates to equal 15.1% for generic drug products will equal the amount currently required by federal law.

**Counterfeit - Proof Prescription Pad Program**

Requiring physicians to use a sequentially numbered, counterfeit - proof prescription pad for their Medicaid prescriptions, will result in a substantial reduction of fraud, thereby providing a cost savings of nearly \$18 million.

D. SECTION-BY-SECTION ANALYSIS:

See Effect of Proposed Changes.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

	<b>Recurring GR &amp; Tobacco</b>	<b>Other TF's</b>
Monthly Limit on Recipient Drugs	(43,400,000)	(56,600,000)
Reduction of Ingredient Prices to AWP minus 15%	(19,000,000)	(24,500,000)

Drug Benefit Management	(17,789,900)	(23,210,100)
Pharmacy Network Controls	(9,800,000)	(12,785,849)
Generic Rebates Program	(1,300,000)	(1,696,082)
Counterfeit - Proof Prescription Pad Program	(7,810,200)	(10,189,800)

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

None.

**D. FISCAL COMMENTS:**

None.

**IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:**

**A. APPLICABILITY OF THE MANDATES PROVISION:**

This bill does not require counties or municipalities to spend funds to take any actions requiring the expenditure of funds.

**B. REDUCTION OF REVENUE RAISING AUTHORITY:**

This bill does not reduce the authority of counties or municipalities to raise revenues in the aggregate, as such authority existed on February 1, 1989.

**C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:**

This bill does not reduce the percentage of state tax shared with counties and municipalities as an aggregate on February 1, 1989.

**V. COMMENTS:**

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A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON GENERAL APPROPRIATIONS:

Prepared by:

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