

STORAGE NAME: h0321s1.in.doc
DATE: January 24, 2002

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
INSURANCE
ANALYSIS**

BILL #: CS/HB 321
RELATING TO: Prescription Drug Claim Identification Cards
SPONSOR(S): Committee on Insurance and Representative Brown
TIED BILL(S): None

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

- (1) HEALTH REGULATION YEAS 9 NAYS 0
- (2) INSURANCE YEAS 13 NAYS 0
- (3) COUNCIL FOR HEALTHY COMMUNITIES
- (4)
- (5)

I. SUMMARY:

The bill would require any health insurer, health maintenance organization, state or local government entity, and workers' compensation carrier providing outpatient prescription drug coverage to issue a benefits identification card.

The benefits identification card would be required to contain certain information, including the claims processor name, the help desk telephone number, and the claims submission name and address. The information could be printed on the card, or embedded in the card through magnetic stripe, smart card, or other electronic technology. Affected entities currently issuing annual renewal cards would be allowed to issue temporary stickers containing the required information for policyholders to affix to the existing card.

The benefit identification cards must be issued upon policy or contract renewal, but no later than October 1, 2003. An updated sticker or card must be issued within 60 days of any change of benefit card information.

The overall fiscal impact of the bill is indeterminate, primarily because the number of cards that will have to be issued or revised is unknown. The State Employee Health Plan Trust Fund may incur recurring expenditures of between \$269,000 and \$504,000, due to manufacturing and mailing costs. However, the expenditure will likely be lower or totally absorbed if the prescription drug benefit cards are issued during the annual open enrollment period or upon policy renewal. Self-insured local governments may also be required to spend funds to issue benefit cards in compliance with the bill; however, the aggregate amount would appear to be \$1.2 million or less.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1. Less Government Yes No N/A

Insurers providing coverage for prescription drugs would be required to issue prescription drug claim identification cards containing specified information.

2. Lower Taxes Yes No N/A

3. Individual Freedom Yes No N/A

4. Personal Responsibility Yes No N/A

5. Family Empowerment Yes No N/A

B. PRESENT SITUATION

Health insurers, health maintenance organizations (HMOs), state and local government health insurance programs, and workers' compensation carriers often provide coverage for prescription drugs on an outpatient basis. These entities are not required under law or by agency rule to issue any type of benefit card. However, some insurers issue membership cards that provide information regarding the benefit plan. The Department of Insurance does not regulate the form or content of these cards.

According to a staff survey of several insurance companies and HMOs, each benefit card costs between one and two dollars to manufacture and mail to the insured. The actual amount depends on the type of material used to manufacture the card (e.g. plastic or paper).

C. EFFECT OF PROPOSED CHANGES:

Health insurers, HMO's, state and local government programs, and workers' compensation carriers covering outpatient prescription drugs would be required to provide a prescription drug benefit identification card or a sticker to affix to a current benefits card with the following information, within 60 days of any change:

- C The name of the claim processor;
- C The issuer identification number;
- C The insured's prescription group number;
- C The insured's identification number;
- C The insured's name;
- C The claims submission name and address;
- C The help desk telephone number; and
- C Any other information that the entity finds will assist in the processing of the claim.

Entities issuing these cards would not be required to organize the information in any particular manner. All necessary information would be required to be readily identifiable. The information could be printed on the card or embedded in the card through magnetic stripe, smart card, or other electronic technology. Entities issuing health insurance benefit cards containing all of the

information required would not be compelled to issue a separate prescription drug identification card.

INFORMATION INCLUDED IN BENEFIT IDENTIFICATION CARDS COMPARED TO INFORMATION REQUIRED IN THE BILL: A SAMPLE OF ENTITIES						
Information Required by the Bill	Entities*					
	A	B	C	D	E	F
Claim Processor			X	X	X	
Issuer ID Number	X	X		X	X	X
Prescription Group number	X	X	X	X	X	X
Insured's ID number	X	X		X	X	X
Insured's Name	X	X		X	X	X
Claims Submission Name and Address	X			X	X	X
Help Desk Telephone Number	X		X	X		X
Any Other Useful Information	X	X		X	X	
* A: Large Health Insurer, B: Workers' Compensation Insurer, C: State of Florida: Employee Health Plan, D: State of Florida: Workers Compensation Plan, E: Small HMO, F: Group Life Insurer						

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures

	<u>FY 2002-2003</u>	<u>FY2003-2004</u>
State Employee Health Plan Trust Fund		
Recurring*	(\$269,085 – 504,085)	(\$269,085 – 504,085)

*These figures are estimates from the Department of Management Services based on the number of subscribers in the State Employee Insurance Health Plan (approximately 235,000 members) multiplied by the estimated cost of producing and mailing new prescription drug benefit cards or stickers. Some of these costs may be absorbed if cards are issued on the regular issuance date, because the Health Plan currently manufactures and mails benefit cards. SEE FISCAL COMMENTS.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

Indeterminate, primarily because data could not be found showing the extent to which local governments currently comply with the requirements of this bill. To the extent local government self-insurance plans do not comply with the bill, they would be required to incur expenditures to issue cards or stickers containing the required information. SEE FISCAL COMMENTS.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The total impact is indeterminate, primarily because the number of cards to be issued is unknown. The cost per card, however, is known. Staff contacted several insurance companies and HMOs. They estimated the cost of issuing stickers or paper cards to be about \$1 per card. Estimates for plastic cards ranged from \$1 to \$3 per card. Insurers indicated costs would likely be lower or totally absorbed if the cards are issued upon policy renewal. SEE FISCAL COMMENTS.

Pharmacies may find it necessary to purchase equipment to read information embedded in the card by magnetic stripe or smart card technology, if insurers or HMOs choose to use this option.

D. FISCAL COMMENTS:

All fiscal calculations were made by multiplying the estimated number of policyholders requiring cards by the estimated cost of issuing and mailing the cards. Manufacturing and mailing costs will likely be reduced or absorbed if cards are issued during annual policy renewal.

Local Government

The fiscal impact on local governments will depend on the number of policyholders requiring cards multiplied by the cost of manufacturing and mailing the cards. Staff data indicate that

manufacturing and mailing costs will be between one and two dollars per card, depending on the material used to make the card (e.g. plastic or paper). According to The Bureau of Economic Analysis within the U.S. Department of Commerce, local government has 645,609 full time employees statewide. Presuming all employees are eligible for health insurance and do not now receive a benefits card, the estimated cost to issue cards to all employees could be between \$645,409 and \$1,291,218 during the first year the bill is implemented.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

Applicability of the mandates provision is unlikely, primarily because the maximum aggregate expenditure would appear to be \$1.2 million. SEE FISCAL COMMENTS ON LOCAL GOVERNMENT.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

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

This bill does not reduce the percentage of state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Insurance adopted an amendment to HB 321 on January 8th, 2002, and reported the bill as a committee substitute. The committee substitute differs from the original bill in that the committee substitute:

- Narrows those within the scope of the bill by limiting the types of entities that must issue benefits identification cards compliant with the bill;

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- Establishes a time frame for compliance, which allows insurers to issue new cards in the normal course of business rather than necessitating the wholesale reissuance of cards when the act takes effect;
- Makes technical drafting changes.

VII. SIGNATURES:

COMMITTEE ON INSURANCE:

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