

*Clarence Boswell*

FILED FEB 19 1991

SENATE FILE 194  
BY BOSWELL

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act to establish a pharmaceutical assistance program for the  
2 elderly in the department of elder affairs, and providing a  
3 penalty.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 194

1 Section 1. NEW SECTION. 249D.61 PHARMACEUTICAL  
2 ASSISTANCE PROGRAM FOR THE ELDERLY ESTABLISHED.

3 1. For purposes of this section, unless the context  
4 otherwise requires:

5 a. "Eligible person" means an unmarried resident who is an  
6 elder with an annual income of nine thousand dollars or less  
7 or a married resident who is an elder with a family income of  
8 twelve thousand dollars or less, except that the department  
9 may limit eligibility for the pharmaceutical assistance  
10 program for the elderly for a person who receives financial  
11 assistance for the purchase of prescription drugs from another  
12 program.

13 b. "Prescription drug" means prescription drug as defined  
14 under section 155A.3.

15 c. "Program" means the pharmaceutical assistance program  
16 for the elderly established in this section.

17 d. "Reasonable cost" means a charge which is less than or  
18 equal to the allowable cost of a prescription drug as  
19 determined by the Iowa department of public health and to  
20 which is added a professional dispensing fee which is less  
21 than or equal to the seventy-fifth percentile of usual and  
22 customary fees in this state.

23 e. "Resident" means a person who is legally domiciled  
24 within this state for a period of thirty days or more prior to  
25 making an application to the pharmaceutical assistance program  
26 for the elderly. Mere seasonable or temporary residence  
27 within the state, of whatever duration, does not constitute  
28 domicile. Absence from this state for a period of twelve  
29 months is prima facie evidence of abandonment of domicile.

30 2. A pharmaceutical assistance program for the elderly is  
31 established in the department. An advisory committee shall be  
32 appointed by the director, with the advice of the Iowa  
33 pharmaceutical association, to provide recommendations re-  
34 garding the program.

35 3. The department shall adopt rules to implement this

1 section. The rules shall provide for all of the following:

2 a. A means to determine the eligibility of a person, in-  
3 cluding proof of the person's actual and anticipated annual  
4 income, evidence of complete or partial reimbursement for the  
5 costs of prescription drugs from a provider other than the  
6 program, and other provisions consistent with this section.

7 b. A prescription copayment of twenty percent to be  
8 collected from the eligible person by the dispensing pharmacy.  
9 The balance of the reasonable cost shall be paid to the  
10 dispensing pharmacy following submission of a claim to the  
11 department.

12 c. If the cost of the prescription drug exceeds the rea-  
13 sonable cost and the prescription drug is available under a  
14 generic name, the eligible person may obtain the trade name  
15 drug by paying the amount that the trade name drug cost  
16 exceeds the reasonable cost of the generic drug. However, if  
17 the medical practitioner indicates that the trade name drug  
18 must not be substituted, the eligible person is not required  
19 to pay more than the maximum copayment amount.

20 d. A system to reimburse the dispensers of prescription  
21 drugs which includes on-line point of service claims  
22 transmission and adjudication.

23 e. A form of identification for eligible persons to prove  
24 their eligibility. The form of identification shall  
25 conspicuously include notice of penalties for violating the  
26 provisions of this section.

27 f. A requirement that prescriptions contain the name,  
28 address, and identification number of the eligible person in  
29 order to be reimbursable.

30 g. Limitations on the maximum amount of a prescription  
31 drug which can be dispensed per prescription, based upon  
32 consultation with the director of public health.

33 h. A program of retrospective drug utilization review to  
34 ensure the appropriate use of prescription drugs and to detect  
35 problems in drug therapy.

1 i. A provision to ensure the ability of all eligible  
2 persons to select their source of pharmaceutical services.  
3 4. A person who supplies false information to establish  
4 eligibility for the program or to obtain reimbursement commits  
5 a serious misdemeanor.

6 EXPLANATION

7 This bill creates a pharmaceutical assistance program for  
8 the elderly in the department of elder affairs. An advisory  
9 committee for the program is required. Terms are defined and  
10 the definition for prescription drug is adopted by reference  
11 from the pharmacy chapter. The Iowa department of public  
12 health is required to develop a reasonable cost, which  
13 includes a dispensing fee, for prescription drugs and a  
14 maximum amount of each drug which can be dispensed per  
15 prescription. Eligibility guidelines are provided.

16 The department of elder affairs is required to adopt rules  
17 regarding copayment per prescription, reimbursement policies  
18 for generic and trade name drugs, a reimbursement system for  
19 dispensers, reimbursement for persons eligible for the  
20 program, identification forms for eligible persons, and  
21 requirements for prescription information.

22 A person who supplies false information in order to become  
23 eligible for the program or to obtain reimbursement commits a  
24 serious misdemeanor.

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**SENATE FILE 194  
FISCAL NOTE**

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A fiscal note for **Senate File 194** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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Senate File 194 provides for the establishment of a Pharmaceutical Assistance Program for the elderly in the Department of Elder Affairs (DEA). The bill requires that an advisory committee be appointed to provide recommendations regarding the program and rules be adopted by the DEA regarding co-payment per prescription, reimbursement policies for generic and trade name drugs, a reimbursement system for dispensers, reimbursements for persons eligible for the program, identification forms for eligible persons, and requirements for prescription information. The bill also specifies that the Department of Public Health (DPH) shall establish a reasonable cost, which includes a dispensing fee, for prescription drugs and the maximum number for each drug which can be distributed per prescription.

A person who provides false information to become eligible to participate in the program or to obtain reimbursement commits a serious misdemeanor.

Assumptions:

1. Twenty five percent of persons age 60 and older in the State would meet the minimum eligibility requirements.
2. The DEA will need to hire 5 additional staff persons to implement and maintain the program.
3. Persons age 60 and older spend on the average \$1,000 per year for prescription drugs.
4. There will be 10,000 eligible individuals applying for assistance the first year and 20,000 the second.
5. There are 65,000 individuals and 105,600 family units above age 60 with incomes below \$9,000 and \$12,000, respectively.

Fiscal Effect:

The overall fiscal impact of this bill is anticipated to be \$10,030,994 in FY 1992 and \$20,007,845 in FY 1993 for the State. A breakdown of these costs is as follows:

**Allowable cost:** The DPH estimates that the cost of compiling data to determine the "allowable cost" of prescription drugs would require an additional General Fund appropriation of \$30,994 in FY 1992 and \$7,845 in FY 1993.

**Program administrative expenses:** Beginning FY 1992, the DEA projects that it will cost \$172,080 to hire 5 FTEs to administer the program and fund the advisory council.

**Financial assistance:** The estimated cost of subsidizing prescription drugs for

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persons participating in the program would increase the DEA General Fund appropriation by \$9,827,920 in FY 1992 and \$19,827,920 in FY 1993, assuming that the number of participants will increase once the program is established.

Source: Department of Elder Affairs  
Department of Public Health

(LSB 2067SS, LAM)

FILED MARCH 18, 1991

BY DENNIS PROUTY, FISCAL DIRECTOR