

FILED JAN 18 1995

SENATE FILE 43
BY BOSWELL

(COMPANION TO LSB 1072HH
BY HARPER)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the establishment of a pharmaceutical
2 assistance program for the elderly, and providing a penalty.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22

S.F. 43

1 Section 1. NEW SECTION. 231.61 PHARMACEUTICAL ASSISTANCE
2 PROGRAM ESTABLISHED.

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

5 a. "Eligible person" means a person, sixty-five years of
6 age or older with an annual net income of eleven thousand
7 dollars or less or a person, sixty-five years of age or older,
8 who with their spouse has an annual net income of sixteen
9 thousand dollars or less. "Eligible person" does not include
10 a person who is eligible for financial assistance for the
11 purchase of prescription drugs under another local, state, or
12 federal program to the extent that the other program provides
13 financial assistance for the purchase of prescription drugs.

14 b. "Prescription drug" means a prescription drug as
15 defined in section 155A.3.

16 c. "Program" means the pharmaceutical assistance program
17 established in this section.

18 d. "Reasonable cost" means a charge which is equal to the
19 average wholesale cost of the prescription drug and the
20 additional dispensing pharmacy's usual fee, not to exceed the
21 seventy-fifth percentile of usual and customary fees in this
22 state, as determined by the Iowa department of public health.

23 2. A pharmaceutical assistance program is created within
24 the department to provide for subsidization of the
25 prescription drug costs of eligible persons in rural and urban
26 areas throughout the state. The director shall appoint an
27 advisory committee to make recommendations to the commission
28 in the creation of the program and in adoption of rules to
29 implement the program. The commission shall also receive
30 assistance from the Iowa pharmaceutical association in
31 creation and implementation of the program.

32 3. The commission shall adopt rules to implement this
33 section. The rules shall provide for all of the following:

34 a. A means to determine the eligibility of a person,
35 including proof of the person's actual and anticipated annual

1 net income, evidence of complete or partial payment for the
2 costs of prescription drugs from a provider other than the
3 program, and other provisions consistent with this section.

4 b. A prescription copayment of twenty percent of the
5 reasonable cost of the prescription which shall be collected
6 from the person by the dispensing pharmacy. The balance of
7 the reasonable costs shall be paid by the program to the
8 dispensing pharmacy after submission of a claim to the
9 department.

10 c. A provision that if the cost of the prescription drug
11 exceeds the reasonable cost and the prescription drug is
12 available under a generic name, the eligible person may obtain
13 the trade name drug by paying the difference in the amounts of
14 the trade name and generic name drug. However, if the
15 prescribing practitioner indicates on the prescription that a
16 substitution of the trade name drug is prohibited, the
17 eligible person is subject only to payment of the copayment
18 amount.

19 d. A reimbursement system which includes on-line point of
20 service claims transmission and adjudication, with utilization
21 review.

22 e. A form of identification for persons to use in proving
23 eligibility. The form of identification shall include a
24 conspicuous notation of the penalties for violation of this
25 section.

26 f. A requirement that prescriptions contain the name,
27 address, and identification number of the eligible person.

28 g. A program of prospective and retrospective drug
29 utilization review to ensure the appropriate use of
30 prescription medication and to detect prescription drug
31 therapy problems.

32 h. A provision to ensure choice of pharmaceutical services
33 by the eligible person.

34 4. A person who supplies false information to establish
35 eligibility for the program or to obtain reimbursement is

1 guilty of a serious misdemeanor.

2 EXPLANATION

3 This bill creates a pharmaceutical assistance program in
4 the department of elder affairs to provide for subsidization
5 of prescription drug costs of eligible persons 65 years of age
6 and older with limited incomes, as established in the bill.
7 The Iowa department of public health is required to develop a
8 reasonable cost, which includes a dispensing fee, for
9 prescription drugs. The department of elder affairs is
10 required to adopt rules regarding copayments, reimbursement
11 policies for generic and trade name drugs, a reimbursement
12 system for dispensers, a form of identification for eligible
13 persons, and requirements for information included in a
14 prescription. A person who supplies false information in
15 order to become eligible for the program or to obtain
16 reimbursement is guilty of a serious misdemeanor.

17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

SENATE FILE 43 REQ. BY SENATOR BOSWELL
FISCAL NOTE

A fiscal note for Senate File 43 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.

Senate File 43 establishes a Pharmaceutical Assistance Program to subsidize prescription drug costs of eligible persons 65 years of age and older.

ASSUMPTIONS:

1. Eligibility Determination

- A. The total population of age 65+ in Iowa is 426,000 with 46.0% (196,000) being married.
- B. 7.5% of the single 65+ have an income of less than \$10,000, which equals 17,000 eligible participants.
- C. 13.2% of married couples age 65+ have income of less than \$15,000, which equals 52,000 eligible participants.
- D. 34,000 of the eligible participants are on Medicaid.
- E. 5.0% have prescription coverage through supplemental medical insurance (1,750).
- F. The total estimated eligible population for the Program is 33,250.

2. Cost of Pharmaceuticals

- A. In 1988 an average of \$548 was spent on prescriptions by 65+ persons on Medicaid.
- B. The price of prescriptions increased by 56.2% between 1988 and 1995, which equals an average of \$856 per 65+ person.
- C. Senate File 43 requires a 20.0% copayment, resulting in a prescription cost per participant per year of \$685.
- D. The fiscal effect assumes the cost of pharmaceuticals will remain flat for the next three years.

3. Other Assumptions

- A. The Department of Elder Affairs would contract for the administration of the Program.
- B. The Department of Public Health's anticipated expenditures are for the expense of determining "allowable cost" of prescription drugs covered by the Program.

FISCAL EFFECT:

If all eligible participants participate in the Program, the annual prescription cost will be \$22.8 million. The following table is based upon the estimate that 25.0% of eligible participants will apply in the first year, 33.0% in the second year, and 38.0% in the third and succeeding years.

-2-

Pharmaceutical Assistance Program
(dollars in thousands)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<u>EXPENDITURES</u>			
Salaries	\$ 11	\$ 5	\$ 5
Support	5	5	5
Computer	18	0	0
Commission	2	2	2
Contract	200	200	200
Assistance	<u>5,694</u>	<u>7,516</u>	<u>8,655</u>
Total	\$ <u>5,930</u>	\$ <u>7,728</u>	\$ <u>8,867</u>

Sources: Department of Elder Affairs
 Department of Public Health
 Drake University
 National Pharmaceutical Council
 Bureau of Labor Statistics

(LSB 1072SS, RRS)

FILED FEBRUARY 9, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR