

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6724

BILL NUMBER: HB 1103

DATE PREPARED: Dec 20, 1999

BILL AMENDED:

SUBJECT: Pharmacy Assistance Program.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill creates the Tobacco Settlement Trust Fund and specifies that interest from the Fund must be used to fund the Pharmacy Assistance Program (PAP). This bill also establishes the Pharmacy Assistance Program to partially reimburse eligible individuals for the cost of prescription drugs. The bill also requires the Division of Disability, Aging, and Rehabilitative Services (DDARS) to administer the program.

Effective Date: July 1, 2000.

Explanation of State Expenditures: *Summary:* Total costs of the Pharmacy Assistance Program (PAP) are estimated to be \$42.0 M beginning in FY2001. Of this amount, program costs are estimated to be about \$40.7 M and administrative costs at about \$1.3 M per year. Total second year costs are estimated to be about \$45.1 M. (Future growth of program expenditures is estimated to average about 7.6% per year.)

The bill provides that the interest accruing from money in the Tobacco Settlement Trust Fund is to be used for the PAP program. No more than 2% of this interest revenue is to be used for administrative purposes. The estimated interest revenue available for use in the PAP program is estimated to be about \$7.5 M in FY 2001 and \$12.6 M in FY 2002. (Future growth of this revenue is expected to grow annually with the amount of growth depending upon future domestic cigarette sales volume.) The balance of expenditures from the PAP program are assumed to come from state General Fund monies.

An additional provision of the bill prohibits the expenditure of principal amounts from the Tobacco Settlement Trust Fund for any purpose, other than the initial appropriations in FY 2000 and FY 2001 for the Children's Health Insurance Program (CHIP).

Background: The PAP program is established for the purpose of partially reimbursing aged and disabled individuals for the costs of prescription drugs, including certain diabetic materials. Eligible individuals

include those individuals: (1) whose annual income is less than 135% of the federal poverty level (FPL); (2) who are at least 65 years of age, or at least 55 years of age and a recipient of Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI); and (3) who are not covered under the Medicaid program or wholly covered for prescription drug costs by another plan of assistance. The program consists of payments to pharmacies in excess of a \$3 copayment for generic drugs or a \$10 copayment for brand name drugs and also provides for a \$1,000 per person annual cap on program payments.

Fourteen other states are currently known to have pharmacy assistance programs. The eligibility and financial requirements provided in this bill were compared to New Jersey's program which has been in operation since 1975. The program cost of the PAP program is estimated to be about \$40.7 M for FY 2001. Future program costs are estimated to grow by about 7.6% per year on average due to growth in the eligible population, as well as in the per capita cost of prescription medicines.

The Division of Disability, Aging, and Rehabilitative Services (DDARS) of the Family and Social Services Administration (FSSA) is to administer the program with administrative costs estimated to be about \$1.3 M per year. The funds and resources required could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. The October 1999 state manning table shows FSSA with 299 vacancies. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Interest earnings from money in the Fund are projected in the following table based on the scheduled annual payments to Indiana from the Tobacco Settlement. Each annual payment is adjusted for forecast reductions in the domestic cigarette sales volume. Although the Tobacco Settlement calls for state payments to continue in perpetuity, the following table lists projected investment earnings from the Fund through FY 2010. The table also describes anticipated program costs based on expected growth rates in population and in per capita prescription medicine costs.

FY	Projected Annual Interest Revenue	Projected Annual Program Costs
2001	\$7.5 M	\$40.7 M
2002	12.6 M	43.8 M
2003	20.5 M	47.1 M
2004	28.7 M	50.7 M
2005	35.7 M	54.6 M
2006	42.8 M	58.7 M
2007	50.0 M	63.2 M
2008	57.3 M	68.0 M
2009	66.0 M	73.1 M
2010	74.9 M	78.7 M

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration

Local Agencies Affected:

Information Sources: State Pharmacy Assistance Program, David Gross and Sharon Bee, AARP Public Policy Institute, April 1999.