

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

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6197**

**BILL NUMBER: SB 114**

**DATE PREPARED:** Dec 18, 2001

**BILL AMENDED:**

**SUBJECT:** Medicaid Drug Copayments.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:**  **GENERAL**  
**DEDICATED**  
 **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill requires the Office of Medicaid Policy and Planning (OMPP) to pay a pharmacist the amount of the maximum copayment allowable under federal law for a drug dispensed to a Medicaid recipient who does not make a required copayment.

**Effective Date:** July 1, 2002.

**Explanation of State Expenditures:** This bill will require the state to pay the unpaid copayment obligation of Medicaid recipients for prescribed drugs. There were approximately \$7.8 M in copayments required in FY 2001. The percentage of these copayment obligations that were not paid by Medicaid recipients is not known with certainty. However, anecdotal evidence suggests that as much as 25% of the copayment obligation is not collected. If 25% of the copayments went uncollected, the remaining obligation would be about \$1.95 M in additional Medicaid expenditures. Federal reimbursement would not be available for this expenditure.

***Background:*** For each brand name drug dispensed in the Indiana Medicaid program, the required copayment is:

- \$0.50 when the Medicaid payment is \$10.00 or less;
- \$1.00 when the Medicaid payment is \$10.01 to \$30.00;
- \$2.00 when the Medicaid payment is \$30.01 to \$55.00;
- \$3.00 when the Medicaid payment is \$55.01 or more;

\$0.50 for compounded prescriptions (legend or non-legend), regardless of the payment amount; and  
\$0.50 for all legend and non-legend generic drugs, regardless of the Medicaid payment amount.

According to OMPP, 5.38 million out of 12.11 million Medicaid prescriptions required copayments in FY 2001. This resulted in a total recipient copay obligation of \$7.8 M. The percentage of copayments that went unpaid is not known. However, anecdotal evidence suggests that as much as 25% of the copayment

obligation is not collected. The requirements of the bill provide that this amount of uncollected copays would result in an additional \$1.95 M being paid by the state to pharmacists. According to the Centers for Medicare and Medicaid Services (CMS; formerly HCFA), this expenditure would not be eligible for federal financial participation. Consequently, the expenditure would be with state funds, only.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

**Information Sources:** Katy Howard, OMPP, 233-3045; Grant Monahan, Indiana Retail Council, 632-7391.