

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

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6745**  
**BILL NUMBER: SB 456**

**DATE PREPARED:** Dec 14, 2001  
**BILL AMENDED:**

**SUBJECT:** Mental Health.

**FISCAL ANALYST:** Michael Molnar  
**PHONE NUMBER:** 232-9559

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

**IMPACT:** State

**Summary of Legislation:** This bill has the following provisions:

1. The bill adds a psychiatrist to the Controlled Substances Advisory Committee.
2. The bill provides that a Medicaid recipient may not be restricted access to a prescription drug for mental illness.
3. It requires the Controlled Substances Advisory Committee to review the records maintained by the central repository for controlled substances designated by the State Police Department regarding the prescribing of stimulant medications to children and report to the Legislative Council, Governor, and the Medical Licensing Board.
4. The bill also requires the Office of Medicaid Policy and Planning to report to the Select Joint Commission on Medicaid Oversight by March 1, 2004, regarding the cost effectiveness of statutes allowing Medicaid recipients unrestricted access to prescription drugs that are prescribed for mental illness.

(The introduced version of this bill was prepared by the Joint Commission on Medicaid Oversight.)

**Effective Date:** Upon passage; July 1, 2002.

**Explanation of State Expenditures:** (1) *Controlled Substances Advisory Committee:* The Indiana State Police (ISP) should experience minimal expenditures as a result of the bill. The ISP already maintains a central repository for controlled substances. The 15-member Controlled Substances Advisory Committee (CSAC) would experience increased expenditures due to the creation of a sixteenth member (psychiatrist with expertise in adolescent psychology). Currently, CSAC members who are not state employees are entitled to the minimum salary per diem and reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties. Members who are state employees are entitled to

reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties. Depending on the distance traveled to meetings by the proposed sixteenth member, the additional expenditures for the proposed member could range from \$770 to \$1,240 over six meetings. If the proposed member were a state employee, expenditures would be much lower. If the proposed member were from the Indianapolis area, expenditures would also be significantly reduced, assuming meetings of the Board are held in the Indianapolis area.

(2) This bill establishes certain limitations on prior authorization (PA) for prescription drugs in the treatment of mental illness in the Medicaid fee-for-service and Risk-Based Managed Care (RBMC) programs. These limitations are consistent with current practice in the Medicaid fee-for-service program and, thus, would result in no additional costs to the state in that program.

However, each of the managed care organizations (MCOs) in the RBMC program have instituted their own drug formularies and PA programs. To the extent that the prohibition against the use of PA for drugs used in the treatment of mental illness impacts costs faced by MCOs, these impacts may eventually be passed on to the state through negotiated capitation rates paid to the MCOs. However, published research suggests that there is a significant potential for any increased pharmaceutical costs (that might occur from *not* having prior authorization) to be exceeded by reduced expenditures in other parts of the mental health system (e.g., emergency mental health services, use of community mental health centers, and partial hospitalization). This suggests that any impact on aggregate Medicaid expenditures, positive or negative, will be small.

(3) The Controlled Substances Advisory Committee would have increased expenditures or work load for the preparation of the required report concerning the prescription of stimulant medications to children for the Legislative Council, Governor, and Medical Licensing Board. If the Committee meets additionally, expenditures for Committee operations would increase.

(4) The Office of Medicaid Policy and Planning should not experience increased costs associated with the new reporting requirement. The Office should be able to conduct the study regarding the cost effectiveness of statutes allowing Medicaid recipients unrestricted access to prescription drugs that are prescribed for mental illness with current staff and resources.

**Explanation of State Revenues:** Costs in the Medicaid program are shared between the Federal government (generally about 62% of costs) and the State (about 38%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Health Professions Bureau, Controlled Substances Advisory Committee, Medical Licensing Board, State Police, Legislative Council, Office of the Governor, Medical Licensing Board, Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

**Information Sources:** Soumerai, Stephen B., et.al., "Effects of Limiting Medicaid Drug Reimbursement Benefits on the Use of Psychotropic Agents and Acute Mental Health Services by Patients with Schizophrenia," *New England Journal of Medicine*, Vol. 331, No. 10, September 1994; State Board of Accounts.