

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

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6916**  
**BILL NUMBER: SB 471**

**DATE PREPARED:** Jan 8, 2002  
**BILL AMENDED:**

**SUBJECT:** Medicaid Pharmacy Rates.

**FISCAL ANALYST:** Alan Gossard  
**PHONE NUMBER:** 233-3546

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

**IMPACT:** State

**Summary of Legislation:** This bill prohibits the Office of Medicaid Policy and Planning (OMPP) from adjusting Medicaid pharmacist reimbursement rates that were in place on January 1, 2001, until July 1, 2003. The bill specifies certain exceptions.

**Effective Date:** January 1, 2001 (retroactive).

**Explanation of State Expenditures:** This bill would prevent OMPP from amending the administrative rules that describe the methodology for determining reimbursement rates to pharmacists in the Medicaid program. Two rule amendments are currently being promulgated that would reduce Medicaid payments to pharmacies and would be prohibited by this bill from being implemented before July 1, 2003. The estimated expenditure reductions prevented by this bill are estimated to be about \$1.7 M in FY 2002 and \$16.9 M in FY 2003. These would affect the state General Fund.

*Background:* OMPP is currently promulgating two rule amendments that: (1) establish a statewide maximum allowable cost factor as part of the reimbursement methodology; (2) reduce the dispensing fee to pharmacists from \$4 to \$3; and (3) increase the discount from 10% to 13% off of the average wholesale price of a drug.

The total Medicaid expenditure reduction from these two rules is estimated to be \$4.37 M in FY 2002 and \$44.4 M in FY 2003. The federal share of this amount, about 62%, is about \$2.7 M in FY 2002 and \$27.5 M in FY 2003.

**Explanation of State Revenues:** See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** County-owned hospitals with pharmacies participating in the Medicaid program may not see their reimbursements for pharmaceuticals reduced before July 1, 2003, due to administrative rule changes.

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

**Local Agencies Affected:** County-owned hospitals.

**Information Sources:** Marc Shirley, Office of Medicaid Policy and Planning, 232-4343.