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FISCAL IMPACT STATEMENT

LS 6295

BILL NUMBER: HB 1131

NOTE PREPARED: Dec 29, 2004

BILL AMENDED:

SUBJECT: Aggregate Purchasing of Prescription Drugs.

FIRST AUTHOR: Rep. Kersey

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill allows small businesses and residents who are at least 65 years of age to participate in the State Aggregate Prescription Drug Purchasing Program. The bill requires the State Personnel Department to charge fees for certain administrative costs.

Effective Date: July 1, 2005.

Explanation of State Expenditures: This bill would expand participation in the State Aggregate Prescription Drug Purchasing Program to include Indiana small businesses that employ 25 individuals or less, as well as residents who are 65 years of age and older. The fiscal impact of this bill will be dependent upon whether the contractor, Anthem, is willing to amend the existing contract to include these additional participants, and the terms under which they could participate.

If the Department of Personnel would be responsible for administrative actions such as issuing cards to define a participating group for point-of-sale benefits, then an additional administrative fee may need to be charged. Individuals, age 65 and over, are already eligible for Medicare discount cards and, in certain cases, transitional benefits. The Medicare pharmacy drug benefit for this group is scheduled to begin January 1, 2006, six months after the effective date of the bill.

Background Information: The Indiana Aggregate Prescription Purchasing Program (IAPPP) contract amendment with Anthem, as the pharmacy benefits manager, will go into effect on January 1, 2005. The IAPPP is essentially an extension of the state employees' pharmacy benefit plan to the additional parties allowed or required in P.L. 50-2004.

All state employees not covered by health maintenance organizations (HMOs) are covered by the plan. P.L. 50-2004 required in addition to state employees' benefit plans, the participation of the state universities. The statute allows the participation of a state agency that purchases drugs or arranges for the payment for prescription drugs, a local unit of government, and the Indiana Comprehensive Health Insurance Association (ICHIA). The Medicaid Program is specifically excluded from participation in the program.

The State Budget Agency reports that all seven state universities are scheduled to participate in the IAPPP, starting on January 1, 2005, or July 1, 2005, depending on the specific employee benefits contract renewal dates. In addition, 19 school corporations or local units of government have indicated that they will begin participation at their contract renewal dates as well. During the Request for Proposal (RFP) process, actual drug claims for the state university employees and state employees were compared to the RFPs submitted for the bid process. The Anthem proposal demonstrated a \$6 M state savings for these two groups in terms of 2003 drug claims.

Explanation of State Revenues: The Department of Personnel is required to charge an administrative fee to the expansion participants. The amount of the fee would be dependent upon contractual and administrative actions, as would the timing of the collection of any fee.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Personnel Department.

Local Agencies Affected:

Information Sources: John Renner, State Budget Agency, 317-232-5623.

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