LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6222 **NOTE PREPARED:** Dec 29, 2004
BILL NUMBER: SB 319 **BILL AMENDED:**

SUBJECT: Aggregate Purchasing of Prescription Drugs.

FIRST AUTHOR: Sen. Simpson **BILL STATUS:** As Introduced
FIRST SPONSOR:

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

Summary of Legislation: This bill allows county hospitals, nonprofit organizations, small businesses, and the state Medicaid Program to participate in the Aggregate Prescription Drug Purchasing Program. The bill repeals a provision prohibiting the state Medicaid Program from participating in a multi-state prescription drug purchasing program. It also 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 Indiana Aggregate Prescription Purchasing Program (IAPPP) to include Indiana small businesses and nonprofit organizations that employ 100 individuals or less, as well as county hospitals. The fiscal impact of this bill will be dependent upon whether the contractor, Anthem, will amend the existing contract to include these additional participants, and the terms under which they could participate.

The bill also repeals the prohibition on the participation of the Indiana Medicaid Program and allows it to participate in the IAPPP. This provision is believed to have no fiscal impact since federal rules do not allow the pooling of the Medicaid population with non-Medicaid populations. In addition, Medicaid has an existing pharmacy benefits management contract similar to the IAPPP.

Background: 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 to participate in P.L.50-2004. All state employees not covered by health maintenance organizations (HMOs), are covered by the IAPPP. P.L.50-2004 required, in addition to state employees' benefit plans, the participation of the state universities. The statute also 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 was, prior to this bill, specifically excluded from participation in the existing 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: To the extent that county hospitals, as employers, may realize savings on their employee benefits, these county-owned facilities may realize a benefit.

Explanation of Local Revenues:

State Agencies Affected: State Personnel Department.

Local Agencies Affected: County-owned hospitals.

Information Sources: John Renner, State Budget Agency, 317-232-5623; and Keith Beesley, Chief Counsel, State Personnel Department, (317) 232-3062.

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