

Multiple Agency Fiscal Note Summary

Bill Number: 5904 SB	Title: Prescription drugs
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Estimated Cash Receipts

Agency Name	2003-05		2005-07		2007-09	
	GF- State	Total	GF- State	Total	GF- State	Total
Washington State Health Care Authority	0	2,971,553	0	3,962,070	0	3,962,070
Department of Social and Health Services	0	11,979,000	0	21,538,000	0	21,538,000
Total \$	0	14,950,553	0	25,500,070	0	25,500,070

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2003-05			2005-07			2007-09		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Washington State Health Care Authority	34.0	3,761,661	6,733,214	34.0	1,275,644	5,237,714	34.0	1,275,644	5,237,714
Department of Social and Health Services	13.5	11,321,000	23,300,000	25.0	21,356,000	42,894,000	25.0	21,356,000	42,894,000
Total	47.5	\$15,082,661	\$30,033,214	59.0	\$22,631,644	\$48,131,714	59.0	\$22,631,644	\$48,131,714

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Elise Greef, OFM	Phone: 360-902-0539	Date Published: Final 2/27/2003
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Individual State Agency Fiscal Note

Revised

Bill Number: 5904 SB	Title: Prescription drugs	Agency: 107-Wash State Health Care Authority
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2004	FY 2005	2003-05	2005-07	2007-09
General Fund-Private/Local 001-7	990,518	1,981,035	2,971,553	3,962,070	3,962,070
Total \$	990,518	1,981,035	2,971,553	3,962,070	3,962,070

Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	34.0	34.0	34.0	34.0	34.0
Fund					
General Fund-State 001-1	3,123,839	637,822	3,761,661	1,275,644	1,275,644
General Fund-Private/Local 001-7	990,518	1,981,035	2,971,553	3,962,070	3,962,070
Total \$	4,114,357	2,618,857	6,733,214	5,237,714	5,237,714

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact: Jonathan Seib	Phone: (360)786-7427	Date: 02/19/2003
Agency Preparation: Doug Clouse	Phone: (360) 923-2815	Date: 02/25/2003
Agency Approval: Pete Cutler	Phone: (360) 923-2720	Date: 02/25/2003
OFM Review: Elise Greef	Phone: 360-902-0539	Date: 02/26/2003

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	34.0	34.0	34.0	34.0	34.0
A-Salaries and Wages	1,558,720	1,558,720	3,117,440	3,117,440	3,117,440
B-Employee Benefits	349,932	349,932	699,864	699,864	699,864
C-Personal Service Contracts	776,731	426,731	1,203,462	853,462	853,462
E-Goods and Services	276,626	276,626	553,252	553,252	553,252
G-Travel	6,848	6,848	13,696	13,696	13,696
J-Capital Outlays	278,800		278,800		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	866,700		866,700		
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$4,114,357	\$2,618,857	\$6,733,214	\$5,237,714	\$5,237,714

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2004	FY 2005	2003-05	2005-07	2007-09
Administrative Assistant 4	38,580	1.0	1.0	1.0	1.0	1.0
Discount Program Staff	43,789	32.0	32.0	32.0	32.0	32.0
Program director	118,892	1.0	1.0	1.0	1.0	1.0
Total FTE's		34.0	34.0	34.0	34.0	34.0

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

New rules would be required to implement the drug discount program and the pharmacy connection program.

Part II: Narrative Explanation**II. A - Brief Description Of What The Measure Does That Has Fiscal Impact**

The bill requires HCA to implement a program to negotiate price discounts that would be made available to any resident of the State who meets the following criteria:

- Family income does not exceed 250% of the federal poverty level.
- At least 55 years of age, or between the ages of 19 and 54 and eligible for benefits under Title II of the Social Security act.
- Does not have insurance that provides prescription drug coverage.

The Health Care Authority is also to establish a Pharmacy Connection program through which health care providers and members of the public can obtain information about and help in accessing manufacturer-sponsored prescription drug assistance programs. Notice regarding the program is to initially target seniors, but the program is available to anyone, and includes a toll free number that may be used to obtain information.

II. B – Cash Receipts Impact

This bill authorizes the Administrator to charge a fee to qualifying individuals who choose to be part of the prescription drug discount program, which would cover the administrative cost of operation. The Health Care Authority assumes that the Pharmacy Benefit Manager would be responsible for collection of the annual administrative fee provided for in Section 3 of the bill. The portion of fee collected that pertains to eligibility determination would then be reimbursed to the Health Care Authority to recover the cost of this activity.

II. C – Expenditures

Per legislative staff request, the fund source for revenues and expenditures related to the ongoing operation of the drug discount program are shown as GF-Local. Other impacts are shown as funded from GF-State. In previous fiscal notes for prescription drug programs, we have shown similar impacts as funded from the Health Services Account.

Discount Program

Section 3 of this bill directs the Health Care Authority to develop a program to negotiate price discounts with prescription drug manufacturers. In order to implement the bill, the agency assumes the term “discounts” would be defined broadly to include rebates or other approaches.

This bill does not provide a separate account for managing funds. The Health Care Authority assumes that billing and distribution of rebates would be conducted by a pharmacy benefits manager or contracted vendor to the greatest extent possible.

HCA Fiscal Note

Bill Number: SB 5904 - revised

HCA Request #:03-30

Project Administration

The Health Care Authority estimates that implementation of this bill will require two additional FTEs plus contracted support. The primary duties requiring additional support relate to program administration, development and operation of the program, involving and getting input from providers and other stakeholder groups, working with the PBM to negotiate discounts, and coordinating procurement. The two FTEs are identified as a Program Director and an Administrative Assistant 4 (both included in the Governor's budget). The cost for these FTEs in Fiscal Year 2004 is estimated to be \$229,000.

Also included is on going contract support for the program. Activities included in this contract are assistance with development of vendor contracts, management of the vendor contracts, and on-going monitoring of vendor performance. This contract is the equivalent of one full-time FTE at a cost of approximately \$77,000 per fiscal year. The Health Care Authority assumes that the start date for this contracted activity would begin July 1, 2003.

Start-up costs also include contracted support for development of vendor contracts. The bill as it is currently written would require a great deal of support to negotiate vendor contracts. This is due to the complexity of developing a program to channel rebate funds to pharmacies and/or individuals. For this reason, we are estimating that it will take at least \$350,000 to cover this activity. Actual costs may be greater based on the complexity of implementing a new process / system for returning rebates to the point of sale, the pharmacy, thereby allowing members to purchase prescription drugs for the retail price less the manufacturer rebate for the prescription drug.

Discount Program – Determining Eligibility for Qualifying Individuals

Section 3 of this bill requires that any person who is at least 55 years of age, whose family Income does not exceed 250% of the federal poverty level and does not have insurance that provides prescription drug coverage be given the opportunity to participate in negotiated price discounts. According to the 2002 State Population Survey, there are 336,375 persons who are 55 years of age and over and who are below 250% of the Federal Poverty Level. Of this amount 10.4%, or 35,133, do not have any form of insurance. Of the remaining 301,242 who do have insurance, it is not known whether that includes some form of prescription drug coverage.

This bill also stipulates that prescription drug price discounts be made available to persons between the ages of 19 and 54: who are disabled and therefore eligible for benefits under Title II of the Social Security Act; whose family income is not over 250% of the federal poverty level; and who do not have prescription drug coverage. For the purpose of estimating a population we will assume that all persons in this age group who are eligible for Title II benefits are enrolled in Medicare. According to statistics from the Centers for Medicare and Medicaid Services (CMS) in 2001 there were 60,756 residents of Washington State between the ages of 19 and 54 enrolled in Medicare.

This brings the total population for these individuals to 397,131. With implementation of the Medicaid senior drug prescription program in Section 2, enrollment in the discount program will likely be lower. If we assume that 30% of these individuals do not currently have prescription drug coverage, and we further assume that a quarter of those individuals would be interested in enrolling in this program, then our estimated enrollment would be roughly 30,000. The program is assumed to begin January 1, 2004.

The discount program will be managed by obtaining rebates from pharmaceutical manufacturers. Since the agency is not a pharmacy or wholesaler, we do not have access to

HCA Fiscal Note

Bill Number: SB 5904 - revised

HCA Request #:03-30

discounts from the manufacturers. Section 3 states that discounts may not be at the expense of the retail pharmacy, thus the rebate or discount from the manufacturer must be directly applied to the pharmacy retail price. To achieve any discount for the members of this program, we will need to ensure the pharmacists receive full reimbursement from rebate income for every prescription they fill for the members. To do so means we will have to make up the difference from the discounted price with the rebates we receive from the manufacturers. Rebate reporting is done quarterly through the drug utilization data provided by Uniform Medical Plan's current contracted Pharmacy Benefit Manager. Rebates generally are not returned to the contracting agency until two quarters after the quarter they are reported. Therefore, we anticipate any rebates will be returned to the agency nine months after a prescription is filled. This will require start up funding to compensate pharmacies for the nine month delay from the very beginning of the program.

To estimate this amount the Health Care Authority assumes that the discount program member's prescription drug costs and rebate potential are similar to those who use their prescription drug benefit in the Uniform Medical Plan. In calendar year 2002, the Uniform Medical Plan received \$2.4 Million in prescription drug rebates on \$85 million in estimated allowed prescription drug charges. In 2002 the Uniform Medical Plan had approximately 89,000 members, with approximately 70% (or 62,300) using the prescription drug benefit. Assuming an enrollment of 30,000 in this discount program and an approximate value in rebates of \$38.52 per member per year, the estimated amount needed to cover three quarters worth of rebates would be \$866,700.

The Health Care Authority assumes that it would contract with a Pharmacy Benefits Manager for pharmacy claims processing, benefit management and pharmacy reimbursement activities. The Health Care Authority also assumes that the Pharmacy Benefit Manager (PBM) would be responsible for collection of the annual administrative fee provided for in section 3 of the bill, which we roughly estimate to \$29 per year. Since this portion of the fee would be collected and retained by the PBM, it is not reflected in our cost estimates.

In addition, it is assumed that the Health Care Authority will need to conduct eligibility verification of residency, income, age, Medicare eligibility, and proof of lack of insurance. Because of the detail of the eligibility criteria, it is assumed that the Health Care Authority would conduct this process and the cost of the verification process would be similar to the cost for the Basic Health Plan. The total average direct administrative annual cost per BH enrollee was \$66 in the Governor's 03-05 maintenance level budget. Therefore we estimate the ongoing additional cost of eligibility verification for 30,000 enrollees at \$1,981,000 per year, which will increase the estimated annual \$29 administrative fee by another \$66 to a total of \$95 per enrollee, and require 32 additional FTEs. These staff would be hired in July 2003 in order to ensure the program is developed and operational by January 1, 2004. The first 6 months of program cost would be funded directly from the Health Services Account, with no offsetting recoveries.

The Health Care Authority examined the costs of drug discount programs, some of which offer a pharmacy discount program for a lower annual fee. One example is the Citizens Health Card, which operates in a three state area of Connecticut, Massachusetts, and Rhode Island. The fee to belong to this program is \$12 per year for individuals or \$28 per year for a family. The program advertises being able to offer substantial discounts on the cost of prescription drugs. In conducting further research with this program they are able to offer a reduced rate on prescription drugs because the program contracts with a Pharmacy Benefits Manager (PBM). The PBM is retaining a portion of the rebate and passing on the remaining savings. The

HCA Fiscal Note

Bill Number: SB 5904 - revised

HCA Request #:03-30

savings that have been passed on to consumers by these programs appear to be less than those programs which charge a per member per month fee, according to a Government Accounting Office report (GAO-02-280R) dated December 2, 2001.

Pharmacy Connection Program

Section 4 of the bill requires the Health Care Authority to establish and advertise a Pharmacy Connection program through which health care providers and members of the public can obtain information about and help in accessing manufacturer sponsored prescription drug assistance programs. Notice regarding the program is to initially target seniors, but the program is available to anyone, and includes a toll free number that may be used to obtain information. In addition, the Health Care Authority is to assure staff are available to assist providers and consumers. The Health Care Authority is also to explore with manufacturers methods to simplify drug assistance programs and to seek grants and other assistance to operate the program. Finally, all manufacturers are directed to participate with the program.

\$200,000 per Fiscal Year had been included the Health Care Authority's previous estimate for the senior prescription drug clearinghouse. This estimate was based on the amount provided in the Governor's budget for the Health Care Authority to contract with Washington State University to provide the clearinghouse activity. It is assumed that the Pharmacy Connection Program would be staffed by volunteers and students and would utilize the resources of organizations such as cooperative extension offices and the State Health Insurance Benefits Advisors (SHIBA). Due to the increased demands of providing this support to a larger population than seniors, as well as additional responsibilities under this section, the Health Care Authority estimates that this activity would cost an estimated \$300,000 to \$400,000 per year to meet the intent of this bill. The Health Care Authority assumes a mid-range estimate of \$350,000 per year for this activity.

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

HCA Fiscal Note

Bill #: SB 5904 - revised

Summary of impacts

HCA Request: 03-30

	FY04	FY05	FY06	FY07	FY08	FY09
Cost Estimates						
Program Administration	227,491	211,091	211,091	211,091	211,091	211,091
Senior Prescription Drug Clearinghouse	350,000	350,000	350,000	350,000	350,000	350,000
Rebates to Pharmacies Start-Up	866,700					
Drug Discount Program	2,243,435	1,981,035	1,981,035	1,981,035	1,981,035	1,981,035
Discount Program Start-Up	350,000					
Discount Program Contracted Support	76,731	76,731	76,731	76,731	76,731	76,731
Total Costs	4,114,357	2,618,857	2,618,857	2,618,857	2,618,857	2,618,857

HCA Request: 03-30

		0		0		0		0
		0		0		0		0
		0		0		0		0
Total Funds	0	0	0	0	0	0	0	0

HCA Fiscal Note
Table 4, Program Support Contract

Other Admin

HCA Request: 03-30

SIX YEAR EXPENDITURE ESTIMATE FOR:			NOTE: These costs are assumed to be contracted, therefore this FTE is not reflected in the expenditure summary							Six	
Bill #: SB 5722			1st				2nd			3rd	Year
HCA Request: 03-24	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	Total	
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Salaries	55,836	55,836	111,672	55,836	55,836	111,672	55,836	55,836	111,672	335,016	
Benefits	12,535	12,535	25,070	12,535	12,535	25,070	12,535	12,535	25,070	75,210	
Personal Service Contracts	0	0	0	0	0	0	0	0	0	0	
Goods and Services	8,196	8,196	16,392	8,196	8,196	16,392	8,196	8,196	16,392	49,176	
1. Supplies	470	470	940	470	470	940	470	470	940	2,820	
2. Telephone	343	343	686	343	343	686	343	343	686	2,058	
3. Facilities Mgmt. (EC, ED, & EK)	4,755	4,755	9,510	4,755	4,755	9,510	4,755	4,755	9,510	28,530	
4. Printing / Copies	221	221	442	221	221	442	221	221	442	1,326	
5. Employee Training	188	188	376	188	188	376	188	188	376	1,128	
6. Personnel Service Charge	335	335	670	335	335	670	335	335	670	2,010	
7. Data Processing Charges "EL"	1,884	1,884	3,768	1,884	1,884	3,768	1,884	1,884	3,768	11,304	
8. Attorney General Revolving Fund "EM"	0	0	0	0	0	0	0	0	0	0	
9. "Special " Data Processing	0	0	0	0	0	0	0	0	0	0	
10. Misc Goods & Services "EZ"	0	0	0	0	0	0	0	0	0	0	
11. Prescription Drug Board Meetings	0	0	0	0	0	0	0	0	0	0	
12. P&T Committee meetings	0	0	0	0	0	0	0	0	0	0	
13. Drug Class Reviews and Updates	0	0	0	0	0	0	0	0	0	0	
14. PDL Production & Distribution	0	0	0	0	0	0	0	0	0	0	
Travel	164	164	328	164	164	328	164	164	328	984	
Equipment	0	0	0	0	0	0	0	0	0	0	
Other -	0	0	0	0	0	0	0	0	0	0	
Other -	0	0	0	0	0	0	0	0	0	0	
Other -	0	0	0	0	0	0	0	0	0	0	
Total	76,731	76,731	153,462	76,731	76,731	153,462	76,731	76,731	153,462	460,386	

001-1 General Fund - State	0	0	0	0	0	0	0	0	0	0
418-1 St Health Care Authority Ad	0	0	0	0	0	0	0	0	0	0
1 760-1 Health Services Acct	76,731	76,731	153,462	76,731	76,731	153,462	76,731	76,731	153,462	460,386
Total Funds	76,731	76,731	153,462	76,731	76,731	153,462	76,731	76,731	153,462	460,386

[illegible]

HCA Fiscal Note
Table 5, Drug discount pgm revised

Bill #: SB 5904 - re

Other Admin

HCA Request: 03-30

SIX YEAR EXPENDITURE ESTIMATE FOR:			Drug discount program							Six		
Bill #: SB 5722			1st		2nd		3rd		Year			
HCA Request: 03-24			FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium	Total
FTE	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Salaries	1,401,248	1,401,248	2,802,496	1,401,248	1,401,248	2,802,496	1,401,248	1,401,248	2,802,496	1,401,248	1,401,248	8,407,488
Benefits	314,580	314,580	629,160	314,580	314,580	629,160	314,580	314,580	629,160	314,580	314,580	1,887,480
Personal Service Contracts	0	0	0	0	0	0	0	0	0	0	0	0
Goods and Services	259,959	259,959	519,918	259,959	259,959	519,918	259,959	259,959	519,918	259,959	259,959	1,559,754
1. Supplies	15,040	15,040	30,080	15,040	15,040	30,080	15,040	15,040	30,080	15,040	15,040	90,240
2. Telephone	10,976	10,976	21,952	10,976	10,976	21,952	10,976	10,976	21,952	10,976	10,976	65,856
3. Facilities Mgmt. (EC, ED, & EK)	152,160	152,160	304,320	152,160	152,160	304,320	152,160	152,160	304,320	152,160	152,160	912,960
4. Printing / Copies	7,072	7,072	14,144	7,072	7,072	14,144	7,072	7,072	14,144	7,072	7,072	42,432
5. Employee Training	6,016	6,016	12,032	6,016	6,016	12,032	6,016	6,016	12,032	6,016	6,016	36,096
6. Personnel Service Charge	8,407	8,407	16,814	8,407	8,407	16,814	8,407	8,407	16,814	8,407	8,407	50,442
7. Data Processing Charges "EL"	60,288	60,288	120,576	60,288	60,288	120,576	60,288	60,288	120,576	60,288	60,288	361,728
8. Attorney General Revolving Fund "EM"	0	0	0	0	0	0	0	0	0	0	0	0
9. "Special " Data Processing	0	0	0	0	0	0	0	0	0	0	0	0
10. Misc Goods & Services "EZ"	0	0	0	0	0	0	0	0	0	0	0	0
11. Prescription Drug Board Meetings	0	0	0	0	0	0	0	0	0	0	0	0
12. P&T Committee meetings	0	0	0	0	0	0	0	0	0	0	0	0
13. Drug Class Reviews and Ur #			0	0	0	0	0	0	0	0	0	0
14. PDL Production & Distribution			0	0	0	0	0	0	0	0	0	0
Travel	5,248	5,248	10,496	5,248	5,248	10,496	5,248	5,248	10,496	5,248	5,248	31,488
Equipment	262,400	0	262,400	0	0	0	0	0	0	0	0	262,400
Other - Rebates to pharmacies (three quarters)	866,700	0	866,700	0	0	0	0	0	0	0	0	866,700
Other -	0	0	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0	0	0
Total	3,110,135	1,981,035	5,091,170	1,981,035	1,981,035	3,962,070	1,981,035	1,981,035	3,962,070	1,981,035	1,981,035	13,015,310

		0		0		0	0
		0		0		0	0
		0		0		0	0
Total Funds	0	0	0	0	0	0	0

[illegible]

Individual State Agency Fiscal Note

Revised

Bill Number: 5904 SB	Title: Prescription drugs	Agency: 300-Dept of Social and Health Services
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2004	FY 2005	2003-05	2005-07	2007-09
General Fund-Federal 001-2	1,127,000	10,852,000	11,979,000	21,538,000	21,538,000
Total \$	1,127,000	10,852,000	11,979,000	21,538,000	21,538,000

Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	2.0	25.0	13.5	25.0	25.0
Fund					
General Fund-State 001-1	537,000	10,784,000	11,321,000	21,356,000	21,356,000
General Fund-Federal 001-2	1,127,000	10,852,000	11,979,000	21,538,000	21,538,000
Total \$	1,664,000	21,636,000	23,300,000	42,894,000	42,894,000

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

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- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

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Agency Approval: Dave Daniels	Phone: 360-902-8174	Date: 02/26/2003
OFM Review: Elise Greef	Phone: 360-902-0539	Date: 02/27/2003

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2. establishes the DSHS administered Medicaid Senior Prescription Drug Program (MSPDP). DSHS is directed to obtain the federal waivers necessary to implement the program. MSPDP would be available to seniors who otherwise lack prescription drug coverage. Benefit design may differ from current Medicaid drug coverage and may include premiums and other beneficiary cost-sharing arrangements. Enrollment may be limited to prevent an over-expenditure of appropriations. The program is to be terminated within 12 months following implementation of a Medicare prescription drug benefit, or by June 30, 2009.

Section 5. Each of the state’s 13 Area Agencies on Aging (AAAs) must implement a program to inform and train persons 65 and older in the safe and appropriate use of prescription and nonprescription medications. To further this purpose, DSHS is directed to award development grants of no more than \$5,000 to each of the AAAs.

Section 7. By January 1, 2005, HCA and DSHS shall submit a progress report to the governor and the Legislature regarding implementation of the act.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

These are the estimated cash receipts that would be realized from claims for federal Title XIX administrative and FMAP matching funds.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

SECTION 2 - MEDICAID SENIOR PRESCRIPTION DRUG PROGRAM

Section 2 directs DSHS to seek any waivers needed to implement the MSPDP for low-income, older adults who do not have other insurance coverage. In order to appropriately seek and obtain the waiver, Medical Assistance Administration (MAA) requires 2 FTEs for waiver and program development and waiver management in the succeeding years. The cost of these FTEs averages \$121,000 per year, or \$242,000 per biennium.

The number of persons who are likely to receive coverage under the pharmacy waiver for the MSPDP will not be known until DSHS obtains waiver approval. A calculation can be made of the number of persons that may be eligible for the MSPDP. There are approximately 672,000 persons currently in Washington who are age 65 and older. Based on the 2002 Statewide Population Survey published by OFM, about 117,000 (17.4%) of this population have incomes below 150% of FPL. It is estimated that 35,000 (30%) of these low-income seniors lack prescription drug coverage and would be eligible for the MSPDP. However, the number of persons that can be covered under the waiver is subject to budget neutrality savings from diverting persons from the Medicaid program, as approved by the Centers for Medicare and Medicaid Services (CMS). This budget neutrality criteria would require DSHS to demonstrate a reduction in caseloads, services, or both in other Medicaid populations. It is anticipated that cost neutrality savings would most likely derive from diversion of applicants for the Medical Assistance Medically Needy programs, reduced hospitalizations, and other impacts.

Costs early in the waiver period will be incurred to provide prescription drug coverage to eligible participants. The assumption is made that these costs will be offset by larger savings in health care expenditures in later years of the waiver, primarily from diversion of persons who would have otherwise enrolled in the Medicaid program because they remain healthier and, as a result, will not spend down to Medicaid eligibility. The number of persons to be covered under the

MSPDP waiver will depend on the estimate of savings achieved through diversion of new Medicaid beneficiaries. For the purposes of this fiscal note, it is assumed that 10,000 new MSPDP recipients will be covered. Based on an assumed per member per month cost of \$161.00, the estimated funding necessary for providing a drug benefit to this population is \$19.3 million annually.

As mentioned, federal rules require the waiver to achieve budget neutrality over the life of the waiver. If CMS does not accept the budget neutrality assumptions, the waiver will not be approved and the MSPDP cannot go forward.

Development, submission, and federal review and ultimate approval of the MSPDP waiver is assumed to take one year, with MSPDP program costs assumed to begin July 1, 2004. Implementation costs for the MSPDP waiver will be incurred during Fiscal Year 2004 related to changes in the ACES and MMIS systems and for overall program support. Once the waiver is approved, program costs will be incurred to pay for enrollee drug costs. Development of the specific design aspects of the waiver program will occur as the waiver is being developed, with input from stakeholders and other affected entities. The structure of program details such as copayments, premiums and deductible benefits is not considered as part of this fiscal note. However, estimates of the initial costs (incurred in Fiscal Year 2005) from the MSPDP waiver can be estimated using the enrollee assumptions listed above and cost estimates of MAA implementation workload.

MSPDP Eligibility Impacts - Economic Services Administration

This fiscal note assumes that the MSPDP enrollment process will occur in the Economic Services Administration (ESA) Community Service Offices (CSOs). The estimated costs related to client enrollment and caseload management are based on CSO workload studies. It is anticipated that 23 new FTEs will be needed to process and manage client applications for enrollment for an assumed workload of 41,000 applicants and an active recipient caseload of 10,000 clients. The estimated applicant workload represents 75% of the estimated population of qualified applicants and is based on the assumption that a large fraction of potentially eligible persons would be motivated to apply for these benefits and that outreach activities will reach a large portion of the population. The estimated caseload of 10,000 clients is assumed to represent the size of the population that can actually be served given the assumed program savings achieved through Medicaid program enrollment diversion.

The estimated eligibility management-related costs are \$1.6 million in SFY 2005 and \$1.4 million in each succeeding fiscal year. In addition, it is anticipated that \$250,000 will be needed to make necessary changes to ACES for management of eligibility processing for the new population of clients.

MSPDP COST ESTIMATE SUMMARY

Drug Benefit Cost - MAA:\$19,260,000 - ESA: \$0	- Total Drug Benefit: \$19,260,000
Staffing Workload - MAA: \$242,000 - ESA: \$1,628,000	- Total Staffing Workload: \$1,870,000
System Changes - MAA: \$1,850,000 - ESA: \$250,000	- Total System Changes: \$2,100,000

Subtotal – Costs - MAA: \$21,352,000 - ESA: \$1,878,000	- Total Costs: \$23,230,000

SECTION 5 - PRESCRIPTION DRUG INFORMATION AND EDUCATION GRANTS

This estimate assumes that a total of 7 grants will be made to AAAs currently operating in the state. While there are a total of 13 AAAs offering senior services, this estimate assumes that a limited number of these will be able to secure additional resource as required under the bill's provisions as the ability of AAAs to bring in additional financial resources is hindered given the current economic environment. Taking into consideration the population to be served and the

complexity of the information to be disseminated, ADSA estimates that additional funding in the amount of \$20,000 to \$25,000 will need to be secured by an AAA in order to operate an effective outreach and education program.

This estimate assumes that available funds would cover the costs of 0.25 FTE and printing/ mailing expenses for each AAA. If each of the AAA were to qualify for a development grant and were able to find additional funding for operating a drug outreach and education program, a total of \$780,000 would be needed during the 2003-05 biennium, \$130,000 of which would be state development grant funding with \$650,000 coming from other sources. It should be noted that the \$30,000 per year in estimated program operating costs is an average expense and that actual program costs would vary between AAAs as the population base served by a particular AAA will vary in size and ethnic composition. (Note: Aging and Disability Services Administration's current grants program uses a funding formula to address issues such as the number of persons served in each of the 13 agencies.)

Using the assumed total number of annual grants to qualifying AAAs, the total estimated impact attributed to the drug information grants program is \$70,000 in the 2003-05 biennium.

(Please see the attached worksheet, 03-5904rr Attachments.xls, for details regarding expenditure estimates and fund sources.)

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	2.0	25.0	13.5	25.0	25.0
A-Salaries and Wages	79,000	1,034,000	1,113,000	2,068,000	2,068,000
B-Employee Benefits	21,000	266,000	287,000	532,000	532,000
C-Personal Service Contracts	1,500,000	600,000	2,100,000	1,200,000	1,200,000
E-Goods and Services	25,000	396,000	421,000	414,000	414,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	35,000	19,295,000	19,330,000	38,590,000	38,590,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	4,000	45,000	49,000	90,000	90,000
Total:	\$1,664,000	\$21,636,000	\$23,300,000	\$42,894,000	\$42,894,000

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2004	FY 2005	2003-05	2005-07	2007-09
Financial Services Specialist 3	41,520		23.0	11.5	23.0	23.0
Medical Assistance Specialist 4	39,492	2.0	2.0	2.0	2.0	2.0
Total FTE's		2.0	25.0	13.5	25.0	25.0

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

SB 5904 - DSHS IMPACT SUMMARY

PHARMACY WAIVER - MEDICAL ASSISTANCE ADMINISTRATION IMPACTS				
<u>[NOTE:Impacts Contingent on Obtaining HIFA Waiver]</u>		<u>SFY04</u>	<u>SFY05</u>	<u>Biennium</u>
Pharmacy Waiver Program		0	19,260,000	19,260,000
	GF-S	0	9,630,000	9,630,000
	Federal	0	9,630,000	9,630,000
<u>Estimated Administrative Costs</u>				
MMIS Changes - Waiver Development		1,379,000	713,000	2,092,000
	FTEs	2.0	2.0	2.0
	GF-S	377,000	207,000	584,000
	Federal	1,002,000	506,000	1,508,000
Total MAA Impact - Pharmacy Waiver		1,379,000	19,973,000	21,352,000
	GF-S	377,000	9,837,000	10,214,000
	Federal	1,002,000	10,136,000	11,138,000
PHARMACY WAIVER - OTHER DSHS PROGRAMMATIC IMPACTS				
Economic Services Administration - Program 060				
		<u>SFY04</u>	<u>SFY05</u>	<u>Biennium</u>
Workload - Eligibility Management		0	1,628,000	1,628,000
	FTEs	0.0	23.0	11.5
	GF-S	0	912,000	912,000
	Federal	0	716,000	716,000
ACES Changes		250,000	0	250,000
	GF-S	125,000	0	125,000
	Federal	125,000	0	125,000
Total ESA Impact		250,000	1,628,000	1,878,000
	FTEs	0	23.0	11.5
	GF-S	125,000	912,000	1,037,000
	Federal	125,000	716,000	841,000
SENIOR DRUG INFORMATION & EDUCATION GRANTS				
<u>ADSA Impacts</u>		<u>SFY04</u>	<u>SFY05</u>	<u>Biennium</u>
(All funds assumed to be GF-S)				
Total Grants to Qualifying AAAs		35,000	35,000	70,000
AAAs Currently Operating		13	13	
AAAs Qualifying for Grants		7	7	
Average Annual Program Costs		30,000	30,000	
Development Grant Award		5,000	5,000	
Funding Needed from Other Sources - Grant Qualified AAAs		175,000	175,000	350,000
Amount Needed to Fully Fund All AAAs		390,000	390,000	780,000
Funding Gap - Non-Qualified AAAs		180,000	180,000	360,000
SB 5406 Estimated Fiscal Impact Summary				
	FTEs	2.0	25.0	13.50
<u>Fund Sources</u>				
Total Funds		1,664,000	21,636,000	23,300,000
001-1 GFS		537,000	10,784,000	11,321,000
001-2 Federal		1,127,000	10,852,000	11,979,000
<u>Objects</u>				
Total Objects		1,664,000	21,636,000	23,300,000
A-Salaries:		79,000	1,034,000	1,113,000
B-Benefits:		21,000	266,000	287,000
C-Personal Svcs Contracts:		1,500,000	600,000	2,100,000
E - Goods and Services		25,000	396,000	421,000
N - Grants, Benefits & Services		35,000	19,295,000	19,330,000
Tz-ISSD		4,000	45,000	49,000

SB 5904 - Medicaid Senior Prescription Drug Program
DSHS Administrative Costs Summary

Classification(s):	<u>Waiver Application (MAA)</u>		<u>Waiver Eligibility (ESA)</u>		<u>Total Administration</u>	
	Medical Assistance Specialist 3		Financial Services Specialist 3		Waiver Related Expenditure	
	<u>SFY 2004</u>	<u>SFY 2005</u>	<u>SFY 2004</u>	<u>SFY 2005</u>	<u>SFY 2004</u>	<u>SFY 2005</u>
FTEs	2.0	2.0	0.0	23.0	18.4	44.0
A-Salaries	79,000	79,000	-	955,000	79,000	1,034,000
B-Benefits	21,000	21,000	-	245,000	21,000	266,000
C-Personal Svcs Contracts	1,250,000	600,000	250,000	-	1,500,000	600,000
E-Goods & Services, Leases	9,000	9,000	-	198,000	9,000	207,000
Eq-Equipment	16,000	-	-	189,000	16,000	189,000
SubTotal E	25,000	9,000	-	387,000	25,000	396,000
Tz-ISSD	4,000	4,000	-	41,000	4,000	45,000
Total Admin Expenditures	1,379,000	713,000	250,000	1,628,000	2,665,000	3,454,000
Source of Funds						
001-1 GFS	377,000	207,000	125,000	912,000	1,020,000	1,676,000
001-C Fed	1,002,000	506,000	125,000	716,000	1,645,000	1,778,000

HB 5904 - Prescription Drug Bill - Medicaid Senior Prescription Drug Program Cost Estimates

Economic Services Administration

(Starting July 2004 - FY 05)

	a.	b.	c.	d.	e.	f.
Workload Estimate Calculation	Minutes per Case	Caseload	Total Minutes (a x b)	Equivalent Hours (c ÷ 60 min)	Work Hours per FTE	Estimated FTE Need
	64	41,000	2,624,000	43,733	1,920	23
	[1]	[2]			[3]	

Expenditures by Object and Fund Source

	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	03-05 Total	05-07 Total	07-09 Total
FTEs		23.00	23.00	23.00	23.00	23.00	11.50	23.00	23.00
A-Salary [4]		955,000	955,000	955,000	955,000	955,000	955,000	1,910,000	1,910,000
B-Benefits		245,000	245,000	245,000	245,000	245,000	245,000	490,000	490,000
C-Personal Serv [5]	250,000		-	-	-	-	250,000	-	-
E-Goods & Services		387,000	198,000	198,000	198,000	198,000	387,000	396,000	396,000
T-Intra-Agency		41,000	41,000	41,000	41,000	41,000	41,000	82,000	82,000
			-	-	-	-	-	-	-
Total	250,000	1,628,000	1,439,000	1,439,000	1,439,000	1,439,000	1,878,000	2,878,000	2,878,000
State	140,000	912,000	806,000	806,000	806,000	806,000	1,052,000	1,612,000	1,612,000
Federal	110,000	716,000	633,000	633,000	633,000	633,000	826,000	1,266,000	1,266,000

Assumptions

[1] ESA Community Service Office Workload Study - Sterling Associates, LTD - 1999

[2] Caseload Estimate based on OFM Population Projections

{a} Persons age 65 & Above	685,000
{b} 65 & Above - below 200% of FPL (26%)	179,000
{c} % of {b} assumed with no pharmacy benefit	30%
{d} Estimated Potential Client Universe [{b} X {c}]	54,000
{e} Assumed Participation rate	75%
{f} Estimated number of Applicants (Caseload)	41,000

[3] 160 hours per month X 12 Months

[4] Assumed Monthly Salary - Financial Services Specialist 3 - \$3,460 \$41,520

[5] FY04 personal services expenditures related to estimated cost of modifying ACES system to accommodate new population of beneficiaries.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 5904 SB	Title: Prescription drugs
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities:
- ☒ Counties:
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2004	FY 2005	2003-05	2005-07	2007-09
City					
County					
Special District					
TOTAL \$					
GRAND TOTAL \$					

Estimated expenditure impacts to:

Jurisdiction	FY 2004	FY 2005	2003-05	2005-07	2007-09
City					
County					
Special District					
TOTAL \$					
GRAND TOTAL \$	0				

Part III: Preparation and Approval

Fiscal Note Analyst: Sofia Aragon	Phone: (360) 725-5030	Date: 02/19/2003
Leg. Committee Contact: Jonathan Seib	Phone: (360)786-7427	Date: 02/19/2003
Agency Approval: Louise Deng Davis	Phone: (360) 725-5034	Date: 02/24/2003
OFM Review: Elise Greef	Phone: 360-902-0539	Date: 02/24/2003

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

Sec 5: Each of the state’s area agencies on aging must implement a program to inform and train persons 65 and older in the safe and appropriate use of prescription and nonprescription medications. To further this purpose, DSHS must award a development grant of no more than \$5,000 to area agencies which demonstrate 1) the ability to effectively administer such a program; 2) the ability to bring resources to the program in addition to those funded by the grant, and 3) that the program will be a collaborative effort with other health care providers and programs in the area to be served.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

Potential expenditure impacts to local governments are indeterminate at present. See below for a discussion of costs and funding considerations.

Potential costs associated with developing an educational program:

- Staffing costs: .5 FTE program coordinator position, which is about \$15,000 yearly plus 25% for benefits, or \$18,750 per year. A coordinator would instruct volunteers to hold one or two group sessions per year.
- Program estimates: One AAA reports a cost of \$10,000 to hold 2 group sessions.
- Potential liability costs: One AAA reported that there would be potential liability costs that would result there were any injuries related to medication administration resulting from the information provided.

Notes on current funding for patient education programs:

- Local Area Agencies on Aging (AAA) receive a mix of federal, state, and local funds. Each varies in the amount of local government funding received. For instance, the South Sound AAA receives little local government support, most of which is in-kind. Other AAAs have proportionately more local funding, such as Seattle-King County, but to the extent to which those funds are spent on patient education programs is indeterminate. It would be a reasonable assumption that local AAAs have discretion as to allocation of funding.
- Some AAAs, such as South Sound AAA receive federal funding through the Older Americans Act for health promotion activities. South Sound AAA spends a portion of its dollars received through this program on promoting safe drug administration.

SOURCES

- South Sound Area Agency on Aging
- Eastern Washington Area Agency on Aging
- Yakima Nation Area Agency on Aging

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

Grants of \$5,000 would be made available by DSHS to qualifying area agencies on aging (Section 5).