



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1287

PRINTERS NO. 1943

PRIME SPONSOR: Cutler

COST / (SAVINGS)

FUND	FY 2012/13	FY 2013/14
General Fund	\$0	See Fiscal Impact

SUMMARY: House Bill 1287, Printer's Number 1943, amends the Public Welfare Code to provide for an electronic prior approval process in the Medical Assistance Program. The effective date is 180 days.

ANALYSIS: This legislation requires the Medical Assistance Fee-for-Service Program to have an electronic prior approval process in place for use by physicians to secure prior authorization for all preferred and nonpreferred drugs. Preferred and nonpreferred psychotropic drugs prescribed by licensed psychiatrists would be exempt from the prior authorization process. The department is required to draft guidelines to update lists and processes on a regular basis. The electronic prior approval process is to be in place 120 days after the 180 day effective date. In addition, the department is required to issue a report electronically to the Chairpersons of the Senate Public Health and Welfare Committee and the Chairpersons of the House Health Committee and House Human Services Committee, no later than one year from the effective date. The department must issue a second report no later than three years from the effective date. Both reports must provide information related to any costs or savings, specifically related to exempting licensed physicians specializing in the field of psychiatry from having to obtain prior authorization for preferred and nonpreferred psychotropic drugs.

FISCAL IMPACT: The department estimates that it will cost \$250,000 to implement an electronic prior approval process for all drugs. However, it is difficult to quantify an estimate for the exemption of drugs prescribed by psychiatrists. It is assumed there could be potential costs related to the state no longer managing certain classes of drugs that may be more expensive than generic equivalents. It is also assumed there would be a loss of supplemental rebates that would no longer be available to the medical assistance program. It should be noted that, although unable to provide specific details due to a proprietary information provision in the agreements between the entity which manages the department's PDL and negotiates supplemental rebates with the pharmaceutical manufacturers, the department estimates an annual loss of \$5 million in supplemental rebates.

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House Appropriations Committee (R)

DATE: June 5, 2013

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.