



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1846

PRINTERS NO. 4314

PRIME SPONSOR: Quinn

COST / (SAVINGS)

FUND	FY 2014/15	FY 2015/16
Commonwealth Funds	See "Fiscal Impact"	See "Fiscal Impact"
Political Subdivision Funds	See "Fiscal Impact"	See "Fiscal Impact"

SUMMARY: Regulates workers' compensation reimbursement rates for pharmaceuticals and limits the practice of physician dispensing. This legislation would take effect in 60 days.

ANALYSIS: This legislation amends Section 306(f.1)(3)(vi) of the Workers' Compensation Act (Act 338 of 1915) as follows:

Maximum Reimbursement Rate - Drugs and Professional Pharmaceutical Services: The maximum reimbursement rate for drugs and professional pharmaceutical services will be limited to 110% of the drug's average wholesale price (AWP), calculated on a per unit basis on the date of dispensing.

Original National Drug Code (NDC) Number: A physician seeking reimbursement for drugs the physician dispenses must include the original manufacturer's National Drug Code (NDC) number, as assigned by the Food and Drug Administration (FDA), on all bills and reports.

Maximum Reimbursement Rate for Physicians: Physicians will be entitled to a maximum reimbursement rate equal to 110% of the AWP of the drugs they dispense. The AWP will be tied to the original manufacturer's NDC number.

Repackaged NDC Numbers Prohibited: A repackaged NDC number may not be used and will not be considered the original manufacturer's NDC number.

Reimbursement Rate in the Absence of Original NDC Number: If a physician seeks reimbursement for pharmaceuticals he dispenses and does not include the original manufacturer's NDC number on all bills and reports, reimbursement is limited to 110% of the AWP of the least expensive clinically equivalent drug. Clinical equivalence, in reference to a drug, means the drug has chemical equivalents which, when administered in the same amounts, will provide essentially the same therapeutic effect as measured by the control of a symptom or a disease.

Limit on Reimbursement for Physician Dispensed Drugs: The legislation provides that no outpatient provider (other than a licensed pharmacy in PA or another state) may seek reimbursement for drugs in excess of specific limitations as delineated within the legislation.

“Doctor Shopping” Prohibition: If one healthcare provider has dispensed drugs to a worker's compensation patient, no other healthcare provider may submit for reimbursement for drugs dispensed to the same employee under the same worker's compensation claim.

Over-the-Counter Drugs: No outpatient provider (other than a licensed pharmacy in PA or another state) may seek reimbursement for an over-the-counter (OTC) drug.

PCRB Savings Calculation: Within 18 months, the Pennsylvania Compensation Rating Bureau (PCRB) must calculate the savings achieved through the implementation of this act. For CY 2016, the amount of the savings must be used to provide an immediate and directly proportional reduction in employers' worker's compensation rates.

FISCAL IMPACT: According to the Department of Labor and Industry, the cost of the worker's compensation system is about \$3.3 billion per year. By further limiting reimbursements on physicians dispensing drugs for injured workers during treatment, the department estimates that the savings to all employers (both public and private) from this legislation would be about \$7.5 to \$13 million per year. Included within those estimated savings would be the Commonwealth and its political subdivisions, which, as employers are obligated under law to provide worker's compensation coverage. Those savings to these political subdivisions are indeterminable at this moment. The legislation would have no adverse fiscal impact on the State Workers' Insurance Fund and the Workmen's Compensation Administration Fund.

According to the Office of Administration (OA), this legislation would save the Commonwealth, as an employer, about \$2,000 annually. The Absence and Safety Office within the OA was able to verify the number of people who used a doctor's office to fill a prescription and the corresponding costs. OA indicates that the Commonwealth spends about \$120 million on worker's compensation-related expenses annually. About \$9.1 million is spent annually on prescriptions for Commonwealth employees injured on the job. OA indicates that most employees obtain prescriptions at a pharmacy.

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House Appropriations Committee (R)

DATE: October 15, 2014

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