

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 936

PRINTER NO. 1281

AMOUNT

\$1,500,000 Annual Cost

FUND

Workers' Compensation Administration Fund

DATE INTRODUCED

October 20, 2017

PRIME SPONSOR

Senator White

DESCRIPTION

Senate Bill 936 amends the Workers' Compensation Act to provide for the implementation of a prescription drug formulary for worker compensation claims and a process for the certification or accreditation of Utilization Review Organizations for workers' compensation claims.

Provides a timeline for the Department of Labor and Industry (Department) to select a prescription drug formulary for use in resolving issues of prescribed drugs or treatment of work-related injuries.

Requires the Department to consider the following factors in selecting a prescription drug formulary: focuses on treatments specific to workers' compensation, ability to be made publically accessible, appropriately manages opioid medications, provides appropriate limits for duration and dosage of prescriptions, and cost of implementation of the formulary.

Instructs the Pennsylvania Compensation Rating Bureau to within 18 months of the effective date of the prescription drug formulary, calculate the savings achieved for the calendar year. This savings shall be used to calculate a reduction in rates paid by employers.

Requires the Department to enter into an agreement with a nationally recognized certification and accreditation organization for the certification or accreditation of the Utilization Review Organizations that operate within the Commonwealth.

Requires all Utilization Review Organizations operating within the Commonwealth to receive certification or accreditation from a nationally recognized organization.

Provides funding for the costs of certification or accreditation for Utilization Review Organizations who successfully gained certification or accreditation. Also provides funding for renewal of certification or accreditation after January 1, 2020.

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FISCAL IMPACT:

Senate Bill 936 allows for a transfer of no more than \$1,500,000 annually from the Workers' Compensation Administration Fund to the Department for the cost of providing certification or accreditation and renewal after January 1, 2020 to any Utilization Review Organizations who operate in the Commonwealth. Currently there are 20 UROs operating in the Commonwealth. The estimated cost to certify these organizations is \$32,000 each. It is assumed that the cost to renew after January 1, 2020 will be the same.

The Department may incur a minimal administrative fiscal impact to acquire the rights to access a proprietary prescription drug formulary. This cost can be absorbed within existing funding levels approved for the administration of Workers' Compensation (\$81 million).

The Pennsylvania Compensation Rating Bureau is also required to calculate the savings incurred from using the prescription drug formulary. These savings calculations will then be used to determine a reduction in the rate paid by employers, providing no fiscal impact to the fund. For calendar years 2012-2015, prescription costs accounted for 16% of medical costs or \$221 million per year. Each percentage reduction in prescription costs from the provisions of this bill may result in \$2.2 million in savings to the regulated community, resulting in a corresponding rate reduction.