

HPB

209

COMMITTEE REPORT

HOUSE

(7)

FURTHER: FINANCE

2/18/85

Date: 25 March 1985

Mr. Speaker:

The Committee on HEALTH, EDUCATION AND SOCIAL SERVICES has had HB 209

"An Act relating to pharmaceutical medical assistance for needy persons; and providing for an effective date."

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 209 same title
 new title
- and recommends individual recommendations
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

[Signature]

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

Kaine - no rec.
(vice chair) Robert Taylor (NO PASS)
David M. Thompson - NO REC
[Signature] - NO REC
[Signature] - NO REC
Alice Hanley - Do Not Pass
[Signature]
[Signature]
CHAIRMAN
[Signature]
Co. Chair

POSITION PAPER

HB 209

"An Act relating to pharmaceutical medical assistance for needy persons; and providing for an effective date."

I. Purpose of HB 209:

HB 209 will allow the Department of Health & Social Services to increase federal revenue by funding prescribed drugs for Medicaid recipients under the Medicaid Program instead of under the 100% state funded General Relief Medical Program (GRM).

II. Sectional Analysis:

Section 1 of HB 209 places prescribed drugs under Medicaid and allows the Department to claim 50 percent federal Medicaid funding. This alone will result in a \$1.4 million dollar savings in state funds each year. Additional savings of \$250,000 will be realized annually through the adoption of federal rules for purchasing prescribed drugs.

Section 2 adds prescribed drugs to AS 47.07.035 and provides the Department with legislative direction on the priority of prescribed drugs in the event of a funding shortfall.

Section 3 makes it clear that the Department will adopt federal Medicaid procedures for purchasing prescribed drugs in the future.

All states except Alaska have imposed limits on pharmaceutical reimbursement and have chosen to fund prescription drugs through the state administered federal Medicaid Program. There is no indication that this has in any way harmed medical assistance recipients or resulted in withdrawal of pharmacies from participation as medical assistance providers.

III. Recommendation:

The Department strongly recommends passage of HB 209 so that the state may begin to receive 50 percent federal financial participation for prescribed drugs through the Medicaid Program. The Governor's FY86 budget request assumes passage of HB 209 to the extent that the \$1.4 million state fund savings are already reflected in the FY86 Medical Assistance BRU, General Relief Medical component. The enclosed fiscal note would transfer remaining state funds for drugs to Medicaid and combine them with available federal funds.

Recommended By:

Rod Betit
Rod Betit, Director
Division of Medical Assistance

Date:

2/25/85

Approved By:

John R. Pugh
John R. Pugh, Commissioner
Department of Health and
Social Services

Date:

2/28/85

**STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: 2/25/85

REQUEST

Bill/Resolution No.: HB 209
 Title: An Act relating to Pharmaceutical Med. Asst. for needy persons
 Sponsor: Rules Committee
 Requestor: _____
 Date of Request: 2/19/85

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: Social Economic Assistance for the General Population
 BRU, Program or Subprogram(s) Affected: Medical Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		1,150.0	1,219.0	1,292.0	1,370.0	1,452.0
800 MISCELLANEOUS						
TOTAL OPERATING		1,150.0	1,219.0	1,292.0	1,370.0	1,452.0

CAPITAL						
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REVENUE		1,150.0	1,219.0	1,292.0	1,370.0	1,452.0
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FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS		1,150.0	1,219.0	1,292.0	1,370.0	1,452.0
OTHER						
TOTAL		1,150.0	1,219.0	1,292.0	1,370.0	1,452.0

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

SEE ATTACHED ANALYSIS

Prepared By: Rod Betit, Director 
 Division: Medical Assistance

Phone: 465-3355

Date: 2/25/85

Approved by Commissioner: John W. By
 Agency: Health & Social Services

Date: 2/25/85 *JCC*

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

ANALYSIS

"An Act relating to pharmaceutical medical assistance for needy persons"

FY86 Governor Request

	<u>GF</u>	<u>TOTAL</u>
General Relief Medical	10,769.1	10,769.1
Remove Pharmacy	[1,100.0]	[1,000.0]
GRM Balance	<u>9,669.1</u>	<u>9,669.1</u>

	<u>FED</u>	<u>GFM</u>	<u>I.A.</u>	<u>TOTAL</u>
Medicaid	32,909.5	33,696.5	633.3	67,239.3
Add Pharmacy	1,150.0	1,100.0	-0-	2,250.0
Medicaid Balance	<u>34,059.5</u>	<u>34,496.5</u>	633.3	<u>69,489.3</u>

With a move of prescription drugs from General Relief Medical Component to Medicaid Component, Medicaid funds would become available at a 50/50 ratio. However, attendant to the federal funds would come mandatory federal regulations defining which pharmaceuticals are allowable and the prices to be paid for each.

6% is assumed as annual inflation for prescription drugs.

This fiscal note replaces the fiscal note dated 2/13/85 which shows overall program savings. This fiscal note reflects budget changes needed to the Governor's proposed FY86 budget and does not show the \$1,400.0 state G.F. savings already incorporated into the Governor's G.R. Medical budget.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 18, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the provision of prescribed drugs to needy persons through the state Medicaid program.

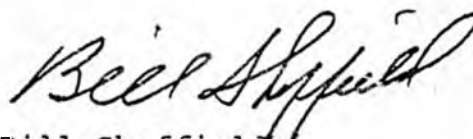
Currently, prescribed drugs for eligible needy persons are provided under the state General Relief Assistance program (AS 47.25.120, et seq.) wholly from state money. Because federal financial participation for the cost of prescribed drugs is available to the state if it instead offers prescribed drugs through the state Medicaid program, a substantial cost savings to the state will be realized by simply offering prescribed drugs through another assistance mechanism. As you may know, the Medicaid program imposes limits on the amount that may be charged for certain services, whereas the General Relief Assistance program does not. The attached fiscal note shows that projected revenue to the state, if the recommended program change is enacted, will be \$1,150,000 for FY 86 alone, and will increase each year after that.

This bill is a companion to HB 98, also introduced at my request, in that it seeks to amend some of the same sections in AS 47, although for a different reason. HB 98 is a housekeeping bill to bring the state Medicaid program into conformity with recent amendments to the Social Security Act. If both bills are enacted, they can be consolidated by the revisor of statutes. (AS 01.05.031.) If that happens, it is our intent that "prescribed drugs," added to AS 47.7.030 in sec. 1 of the attached bill, appear in the list of optional services in AS 47.07.030(b), as proposed in sec. 2 of HB 98. It is also our intent that "prescribed drugs," added as AS 47.07.035(9) in sec. 2 of the attached bill, appear as AS 47.07.035(b)(11), as AS 47.07.035 is repealed and reenacted in sec. 3 of HB 98;

AS 47.07.035(b)(11) -- (16), as they appear in HB 98, would then be renumbered accordingly.

The benefit of this bill is the substantial cost savings to the state with no adverse effect whatsoever on needy persons served. Your favorable action on this measure will significantly improve the financial handling of this service.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield". The signature is written in dark ink and is positioned above the printed name and title.

Bill Sheffield
Governor

**STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE**

Page 1 of 2

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 209
 Title: An Act relating to Pharma-
 ceutical Med. Asst. for needy persons
 Sponsor: Rules Committee
 Requestor: _____
 Date of Request: 2/12/85

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: Social Economic
 Assistance for the General Population
 BRU, Program or Subprogram(s) Affected: Medical Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		(250.0)	(265.0)	(281.0)	(298.0)	(316.0)
800 MISCELLANEOUS						
TOTAL OPERATING		(250.0)	(265.0)	(281.0)	(298.0)	(316.0)

CAPITAL						
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REVENUE		1,150.0	1,219.0	1,292.0	1,370.0	1,452.0
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FUNDING: (Thousands of Dollars)

GENERAL FUND		(1,400.0)	(1,484.0)	(1,573.0)	(1,667.0)	(1,767.0)
FEDERAL FUNDS		1,150.0	1,219.0	1,292.0	1,370.0	1,452.0
OTHER						
TOTAL		(250.0)	(265.0)	(281.0)	(298.0)	(316.0)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

SEE ATTACHED ANALYSIS

Prepared By: Rod Betit, Director *R Betit*
 Division: Division of Medical Assistance

Phone: 465-3355
 Date: 2/12/85

Approved by Commissioner: John R. Poy
 Agency: Health & Social Services

Date: 2/13/85 *JCC*

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget

ANALYSIS

"An Act relating to pharmaceutical medical assistance for needy persons"

FY86 Governor Request

	<u>GF</u>	<u>TOTAL</u>
General Relief Medical	10,769.1	10,769.1
Remove Pharmacy	[2,500.0]	[2,500.0]
GRM Balance	<u>8,269.1</u>	<u>8,269.1</u>

	<u>FED</u>	<u>GFM</u>	<u>I.A.</u>	<u>TOTAL</u>
Medicaid	32,909.5	33,696.5	633.3	67,239.3
Add Pharmacy	<u>1,150.0</u>	<u>1,100.0</u>	-0-	<u>2,250.0</u>
Medicaid Balance	34,059.5	<u>34,496.5</u>	633.3	<u>69,489.3</u>

Move prescription drugs from General Relief Medical Component to Medicaid Component. This would result in a savings of \$1,400.0 in State General Funds: (2,500 General Relief Medical GF less the required GFM for Medicaid of 1,100.0). Medicaid funds would become available at a 50/50 ratio. However, attendant to the federal funds would come mandatory federal regulations defining which pharmaceuticals are allowable and the prices to be paid for each, which would result in a program reduction of \$250.0 paid for prescription drugs.

6% is assumed as annual inflation for prescription drugs.

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 209 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to substitution of generic drugs by
7 pharmacists; adding pharmaceuticals to the Medicaid
8 program; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 08.80.295(a) is amended to read:

11 (a) Unless the prescriber expressly states that a prescription
12 is to be dispensed only as written [EXCEPT AS LIMITED BY (b) AND (c)
13 OF THIS SECTION, WITH THE CONSENT OF THE PURCHASER], the pharmacist
14 may substitute a drug product with the same generic name in the same
15 strength, quantity, dose and dosage form as the prescription, provided
16 the substitute drug [PRESCRIBED DRUG WHICH] is, in the pharmacist's
17 professional opinion, therapeutically equivalent and meets the stan-
18 dards of (g) of this section. The [UPON SUBSTITUTION THE] pharmacist
19 shall notify the purchaser and the prescriber [PERSON WHO PRESCRIBED
20 THE DRUG] of the substitution, and shall record on the prescription
21 and keep a record of the name and manufacturer of the drug
22 substituted. If a substitution is permitted under this section but
23 the pharmacist does not make the substitution, the pharmacist shall
24 inform the purchaser that a substitution was not made and the reason
25 why it was not made.

26 * Sec. 2. AS 08.80.295 is amended by adding new subsections to read:

27 (i) A pharmacist who substitutes a drug in compliance with this
28 section incurs no greater liability in filling the prescription by
29 dispensing the equivalent drug product than would be incurred in

1 filling the prescription by dispensing the prescribed brand name drug.

2 (j) Every pharmacy shall post a sign in a location easily seen
3 by patrons at the counter where prescriptions are dispensed stating
4 that "Under Alaska law a therapeutically equivalent but less expensive
5 drug may, in some cases, be substituted for the drug prescribed by
6 your doctor. Please consult your pharmacist or physician." The
7 printing on the sign shall be in block letters not less than one inch
8 in height.

9 * Sec. 3. AS 17.20.105(b) is amended to read:

10 (b) In preparing a prescription, a pharmacist may [NOT] substi-
11 tute a drug only in accordance with AS 08.80.295 [FOR A REGISTERED
12 BRAND OR TRADE NAME PRODUCT SPECIFIED UNLESS THE PHARMACIST OBTAINS
13 PERMISSION FROM THE AUTHOR OF THE PRESCRIPTION; BUT IF THE PRESCRIBING
14 PHYSICIAN, OSTEOPATHIC PHYSICIAN, DENTIST OR VETERINARIAN IS TEMPO-
15 RARILY UNAVAILABLE, THE PHARMACIST MAY, IF UNABLE TO SUPPLY THE DRUG
16 REQUESTED, SUBSTITUTE A DRUG OR PREPARATION OF APPROXIMATELY EQUAL
17 THERAPEUTIC VALUE SO LONG AS THE PHARMACIST NOTIFIES THE AUTHOR OF THE
18 PRESCRIPTION AT AN EARLY OPPORTUNITY].

19 * Sec. 4. AS 47.07.030 is amended to read:

20 Sec. 47.07.030. MEDICAL SERVICES TO BE PROVIDED. Medical ser-
21 vices to be offered to eligible persons include inpatient hospital,
22 outpatient hospital, rural health clinic, outpatient surgical care
23 centers, laboratory and X-ray, refractions and eye examinations by
24 ophthalmologists or optometrists, eyeglasses prescribed by a physician
25 skilled in diseases of the eye or by an optometrist, inpatient psychi-
26 atric hospital for persons age 65 or older and persons under age 21,
27 skilled and intermediate nursing home, physician, nurse midwife, home
28 health care services, early periodic screening diagnosis and treatment
29 of persons under 21 years of age, clinic services, treatment of

1 speech, hearing and language disorders, physical therapy, occupational
2 therapy, prosthetic devices and medical supplies, long-term care
3 noninstitutional services, prescribed drugs, and reasonable transpor-
4 tation to and from the point of medical care. Additional services may
5 not be provided unless approved by the legislature.

6 * Sec. 5. AS 47.07.035 is amended to read:

7 Sec. 47.07.035. PRIORITY OF SERVICES. If the funding in a
8 fiscal year is inadequate to finance the total medical assistance
9 program under this chapter, the department shall, to the extent that
10 federal law and funding permits, provide medical assistance in the
11 following order:

12 (1) aged, blind, or disabled persons who

13 (A) do not receive supplemental security income under
14 42 U.S.C. 1381 - 1383c (Title XVI, Social Security Act) because
15 they do not meet income and resources requirements; and

16 (B) are eligible to receive an optional state supple-
17 mentary payment;

18 (2) persons in a medical or intermediate care facility

19 (A) whose income while in the facility does not exceed
20 300 percent of the supplemental security income benefit rate
21 under 42 U.S.C. 1381 - 1383c (Title XVI, Social Security Act);
22 and

23 (B) who would not be eligible for an optional state
24 supplementary payment if they left the facility;

25 (3) persons under 21 years of age

26 (A) who are under the supervision of the department;

27 (B) whose maintenance is paid in whole or in part from
28 public funds; and

29 (C) who are in foster homes or private child-care

1 institutions;

2 (4) persons under 21 years of age who

3 (A) receive treatment in a psychiatric hospital; and

4 (B) are financially eligible as determined by the
5 standards of 42 U.S.C. 601 - 615 (Title IV-A, Social Security
6 Act, Aid to Families with Dependent Children);

7 (5) persons under 21 years of age who are

8 (A) in an institution designated by the department as
9 an intermediate care facility for the mentally retarded; and

10 (B) financially eligible as determined by the stan-
11 dards of the federal aid to families with dependent children
12 program;

13 (6) women who are pregnant;

14 (7) persons under 21 years of age who do not qualify for
15 benefits under the federal aid to families with dependent children
16 program because they are not dependent children;

17 (8) intermediate nursing home services;

18 (9) prescribed drugs;

19 (10) eye examinations by an ophthalmologist or optometrist;
20 or eyeglasses prescribed by a physician skilled in the diseases of the
21 eye or by an optometrist;

22 (11) [(10)] treatment of speech, hearing, or language disor-
23 ders;

24 (12) [(11)] physical or occupational therapy;

25 (13) [(12)] care at an intermediate care facility for the
26 mentally retarded;

27 (14) [(13)] care at an inpatient psychiatric facility;

28 (15) [(14)] community mental health clinic services;

29 (16) [(15)] surgical care center services;

1 (17) [(16)] nurse midwife services;

2 (18) [(17)] medical supplies and equipment;

3 (19) [(18)] long-term care noninstitutional services.

4 * Sec. 6. AS 47.07 is amended by adding a new section to read:

5 Sec. 47.07.400. PAYMENT FOR PRESCRIBED DRUGS. Payment for
6 prescribed drugs must be made in accordance with 42 CFR 447.331,
7 447.332, 447.333, and 447.334.

8 * Sec. 7. AS 47.07.900 is amended by adding a new paragraph to read:

9 (7) "prescribed drugs" has the meaning given in 42 CFR
10 440.120.

11 * Sec. 8. AS 08.80.295(b), (c), and (f) are repealed.

12 * Sec. 9. This Act takes effect October 1, 1985.



Alaska State Legislature
House of Representatives
COMMITTEE ON HEALTH, EDUCATION
AND SOCIAL SERVICES

OFFICIAL BUSINESS

POUCH V
JUNEAU, AK 99811
465-3759

TO: Members of the House HESS Committee
FROM: Deborah Niedermeyer, Committee Aide
DATE: 13 March, 1985
RE: HB 209, pharmaceutical medical assistance

Under HB 209, the state would follow the regulations of the federal Medicaid and would be paying for more generic prescription drugs and fewer brand-name drugs. Since generic drugs are less expensive, the Department of Health and Social Services expects a \$250,000/year savings. This is reflected in their fiscal note.

The Division of Occupational Licensing reports 116 licensed pharmacies of various kinds for February of this year. If these pharmacies shared equally the \$250,000 reduction in state expenditures for Medicaid prescriptions, each pharmacy would lose \$2,155 worth of business each year.

Attached is a letter from the Division of Occupational Licensing showing the number of each kind of pharmacy in the state.

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF OCCUPATIONAL LICENSING

BILL SHEFFIELD, GOVERNOR

POUCH D
JUNEAU, ALASKA 99811
PHONE: (907) 455-2534

March 13, 1985

To whom it may concern:

Below are the current number of licensees for the Board of Pharmacy
as of 2/20/85:

Pharmacists - 297
Retail Pharmacy - 84
Wholesale Pharmacy - 3
Hospital Drug Room - 11
Hospital Pharmacy - 12
Nursing Home Drug Room - 5

Sincerely,



Barbara Branson
Licensing Supervisor