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FISCAL IMPACT STATEMENT

LS 6563

BILL NUMBER: SB 359

NOTE PREPARED: Dec 27, 2012

BILL AMENDED:

SUBJECT: Mail Order or Internet-Based Pharmacy Use.

FIRST AUTHOR: Sen. Grooms

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill prohibits certain actions by a health benefit plan, insurer, health maintenance organization, or pharmacy benefit manager related to covered individual use of mail order pharmacies.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Summary:* This bill could increase state expenditures for the State Employee Health Plan by approximately \$8 M per year. However, it is not know how much of the cost increase would be passed on to individuals participating in the plan through possible increases in insurance premiums.

Additional Information:

Impact on the State Employee Health Plan: The State Personnel Department reports that currently the state employee health plan requires individuals to obtain 90-day supplies of prescription medicine from a mail order or internet based pharmacy. Additionally, the state employee health plan currently provides a coinsurance discount for individuals that obtain prescriptions from a mail order or internet based pharmacy. The State Personnel Department reports removing these abilities would increase the expenses of the state health plan by \$8 M per year.

If this bill increases the total cost of the state employee health plan, it is not known how much of the cost increase will be borne by the state and how much will be borne by the health plan enrollees. Any increase in

state expenditures will depend on how the increase in health insurance plan costs is passed on to state employee health plan participants through possible increases in insurance premiums.

Explanation of State Revenues: *Summary:* This bill could increase state revenue received from the insurance premium tax. Increases in state revenue are indeterminable.

Additional Information:

Insurance Premium Tax: The number of insurance providers who currently pay community retail pharmacies at a rate that is less than other mail order or internet based pharmacies are not known.

By limiting the ability of insurance providers to require insureds to obtain possibly less-expensive prescription medicine from mail order or internet based pharmacies, this bill could increase the cost health insurance policies in the state which could be passed on to insureds by way of increased insurance premiums. If insurance premiums in the state increase as a result of this bill, so will state revenue received from the insurance premium tax.

The state receives tax revenue from gross premiums received by insurance companies on (1) insurance policies covering risks within the state during the year or (2) insurance policies made, written, or renewed during the year on marine or transportation risks, minus deductions for reinsurance premiums, dividends paid to resident insureds, and premiums returned. The state tax rate on insurance premiums is 1.3%. In FY 2012, the insurance premium tax accounted for approximately \$203 M to the General Fund.

Explanation of Local Expenditures: Local government groups and local school corporations who are enrolled in the Local Unit Government Employees (LUG) health plan or purchase private group insurance could also be affected by the provisions of this bill.

If this bill increases local costs to participate in the LUG health plan or to purchase private group insurance plans, it is not known how much of the increased costs will be borne by the local government unit and by the participating individuals.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: Christy Tittle, SPD.

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