Multiple Agency Fiscal Note Summary

Bill Number: 6147 SB	**Title:** Continuity of care/Rx insur.

Estimated Cash Receipts

Agency Name	2017-19		2019-21		2021-23	
	GF- State	Total	GF- State	Total	GF- State	Total
Washington State Health Care Authority	0	2,903,000	0	5,866,000	0	5,866,000
Total $	**0**	**2,903,000**	**0**	**5,866,000**	**0**	**5,866,000**

Estimated Expenditures

Agency Name	2017-19			2019-21			2021-23		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Washington State Health Care Authority	.4	0	2,903,000	1.0	0	5,866,000	1.0	0	5,866,000
Office of Insurance Commissioner	1.6	0	534,906	3.1	0	993,652	3.1	0	993,652
Total	**2.0**	**$0**	**$3,437,906**	**4.1**	**$0**	**$6,859,652**	**4.1**	**$0**	**$6,859,652**

Estimated Capital Budget Impact

NONE

Prepared by: Robyn Williams, OFM	**Phone:** (360) 902-0575	**Date Published:** Final 1/19/2018

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 49775

Individual State Agency Fiscal Note

Bill Number: 6147 SB	Title: Continuity of care/Rx insur.	Agency: 107-Washington State Health Care Authority

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2018	FY 2019	2017-19	2019-21	2021-23
St Health Care Authority Admin Acct-State 418-1		119,000	119,000	298,000	298,000
Uniform Medical Plan Benefits Administration Account-Non-Appropriated 439-6		2,784,000	2,784,000	5,568,000	5,568,000
Total $		2,903,000	2,903,000	5,866,000	5,866,000

Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.0	0.8	0.4	1.0	1.0
Account					
St Health Care Authority Admin Acct-State 418-1	0	119,000	119,000	298,000	298,000
Uniform Medical Plan Benefits Administration Account-Non-Appropriated 439-6	0	2,784,000	2,784,000	5,568,000	5,568,000
Total $	0	2,903,000	2,903,000	5,866,000	5,866,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/15/2018
Agency Preparation:	Darla Gehrke	Phone: 360-725-0456	Date: 01/18/2018
Agency Approval:	Rene Newkirk	Phone: 360-725-1307	Date: 01/18/2018
OFM Review:	Jane Sakson	Phone: 360-902-0549	Date: 01/19/2018

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years		0.8	0.4	1.0	1.0
A-Salaries and Wages		87,000	87,000	210,000	210,000
B-Employee Benefits		16,000	16,000	66,000	66,000
C-Professional Service Contracts					
E-Goods and Other Services		8,000	8,000	20,000	20,000
G-Travel		1,000	1,000	2,000	2,000
J-Capital Outlays		7,000	7,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		2,784,000	2,784,000	5,568,000	5,568,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	$0	$2,903,000	$2,903,000	$5,866,000	$5,866,000

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2018	FY 2019	2017-19	2019-21	2021-23
Pharmacist 4	105,000		0.8	0.4	1.0	1.0
Total FTEs			0.8	0.4	1.0	1.0

III. C - Expenditures By Program (optional)

Program	FY 2018	FY 2019	2017-19	2019-21	2021-23
PEB Benefits Admin (040)		2,903,000	2,903,000	5,866,000	5,866,000
Total $		2,903,000	2,903,000	5,866,000	5,866,000

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Bill Number: SB 6147 HCA Request #: 18-46

Part II: Narrative Explanation

II. A - Brief Description of What the Measure Does That Has Fiscal Impact

Section 1 requires the implementation of a cost-effective requirement that patients can rely on the prescription formulary they enter into with their insurance carrier through the entirety of the plan year.

Section 2 adds a new chapter to 48.43 RCW which prevents an issuer from denying continued coverage or increasing patient cost-sharing for a legend drug to a medically stable enrollee if the drug in question was covered during the enrollee's current plan year, provided it was prescribed appropriately for the safe and effective management of an underlying chronic condition. This section applies to plans issued or renewed on or after January 1, 2019.

II. B - Cash Receipts Impact

Cash Receipts			FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
418	HCA Admin Account	1	-	119,000	149,000	149,000	149,000	149,000
439	Uniform Medical Plan Benefits Acc	6	-	2,784,000	2,784,000	2,784,000	2,784,000	2,784,000
Total			**-**	**2,903,000**	**2,933,000**	**2,933,000**	**2,933,000**	**2,933,000**
Biennial total				**2,903,000**		**5,866,000**		**5,866,000**

II. C – Expenditures

Medicaid Impact
No fiscal impact to Medicaid.

PEBB Impact
Plans would be required to provide continuous prescription drug coverage for a previously covered chronic medication to medically stable enrollees without the ability to change the patient cost share or direct patients to more cost-effective alternatives in a plan year. This requirement may lead to a fiscal impact through three possible mechanisms.

First, the price of multi-source drugs can fluctuate greatly during a plan year depending on unpredictable market forces that influence supply and demand. The inability to direct enrollees to less expensive but therapeutically equivalent alternatives in the setting of rising multi-source brand name drug prices during a plan year would impair the cost-effective management of plan formularies.

Second, although SB 6147 does not forbid the issuer from requiring generic substitution, it would prohibit plans from changing the patient cost share on a previously preferred single-source brand name drug once a generic equivalent becomes available during the same plan year. Thereby, forcing plans to cover the more expensive brand name product with the same level of patient cost-sharing prior to the availability of a new generic equivalent.

Finally, the plans could also lose rebates associated with single-source brand name drugs since manufacturers typically stop offering rebates for brand name drugs that have generic equivalents. Thus, rising prescription drug costs due to the fiscal impacts cited above may result in increased premiums for plan enrollees.

For the purposes of this fiscal note, HCA estimated the potential loss of cost-savings in 2018 attributable from keeping preferred brand name drugs preferred after a generic equivalent becomes available.

Bill Number: SB 6147 HCA Request #: 18-46

In this analysis, we approximate the fiscal impact to a plan if required to prefer a brand name drug after a generic equivalent became available. We identified preferred single-source drugs expected to lose their market exclusivity, based on current information, which would typically become non-preferred in 2018. This analysis does not include the potential loss of rebates for single-source brand name drugs, pricing fluctuations of drugs in a plan year, or other drugs that may change cost-share due to other reasons. If the plan could not change the cost-share on these now multi-source brand name drugs, we estimate plan drug costs may rise by approximately $2,784,000.

Administrative Impact

The scope of this bill would incur considerable administrative expenses to implement at the plan level. There is likely no single, static definition of "medically stable" that may be generalizable to all disease conditions and patients, which would necessitate the development of clinical policies or diagnostic criterion for each therapeutic area to identify "medically stable" patients on a case-by-case basis to minimize errors, waste, and fraud. Beginning October 2018 we assume a single full-time pharmacist would be necessary to develop and update policies and procedures to identify "medically stable" patients protected under SB 6147.

Job title	Salary	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
PHARMACIST 4	105,000	-	87,000	105,000	105,000	105,000	105,000
Total	105,000	-	87,000	105,000	105,000	105,000	105,000

Estimated Expenditures by Object:

Objects		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
A	Salaries & Wages		87,000	105,000	105,000	105,000	105,000
B	Employee Benefits		16,000	33,000	33,000	33,000	33,000
E	Goods and Services		8,000	10,000	10,000	10,000	10,000
G	Travel		1,000	1,000	1,000	1,000	1,000
J	Capital Outlays		7,000	-	-	-	-
N	Grants, Benefits Services	-	2,784,000	2,784,000	2,784,000	2,784,000	2,784,000
Total		**-**	**2,903,000**	**2,933,000**	**2,933,000**	**2,933,000**	**2,933,000**

Estimated Expenditures by Fund:

Expenditures			FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
418	HCA Admin Account	1		119,000	149,000	149,000	149,000	149,000
439	Uniform Medical Plan Benefits	6		2,784,000	2,784,000	2,784,000	2,784,000	2,784,000
Total				**2,903,000**	**2,933,000**	**2,933,000**	**2,933,000**	**2,933,000**
Biennial Total				**2,903,000**		**5,866,000**		**5,866,000**

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

None

Individual State Agency Fiscal Note

Bill Number: 6147 SB	Title: Continuity of care/Rx insur.	Agency: 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.0	3.3	1.6	3.1	3.1
Account					
Insurance Commissioners Regulatory Account-State 138-1	0	534,906	534,906	993,652	993,652
Total $	0	534,906	534,906	993,652	993,652

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/15/2018
Agency Preparation:	Mandy Weeks-Green	Phone: 360-725-7052	Date: 01/16/2018
Agency Approval:	Candice Myrum	Phone: 360-725-7042	Date: 01/16/2018
OFM Review:	Robyn Williams	Phone: (360) 902-0575	Date: 01/16/2018

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2 prohibits health care issuers from denying continued coverage, increasing copayment or coinsurance for prescription drugs for medically stable enrollees if the drug was previously covered for the medical condition during the current plan year; the provider continues to prescribed the drug for the enrollee's medical condition and the drug is a maintenance medication or for the treatment of a chronic condition; the drug is appropriately prescribed and considered safe and effective for treating the medical condition, and the enrollee continues to be enrolled in the plan. Rules regarding filing of formularies and for monitoring formularies during the plan year would need to be developed.

NOTE: Prior versions of the bill did not include monitoring of formularies, this new addition requires greater responsibilities for the OIC to ensure compliance and enforcement of this bill.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Section 2 prohibits health care issuers from denying continued coverage, increasing copayment or coinsurance for prescription drugs for medically stable enrollees if the drug was previously covered for the medical condition during the current plan year; the provider continues to prescribed the drug for the enrollee's medical condition and the drug is a maintenance medication or for the treatment of a chronic condition; the drug is appropriately prescribed and considered safe and effective for treating the medical condition, and the enrollee continues to be enrolled in the plan. Rules regarding filing of formularies and for monitoring formularies during the plan year would need to be developed. This bill requires significant changes in how health care issuers can manage their health plan prescription drug formularies at the individual enrollee level. As a consequence it also changes the way OIC needs to review and address formularies submitted by health care issuers.

OIC receives formularies as part of small group and individual market filings; we do not currently receive formularies for large group plan filings. Formulary review, assessment, and enforcement is not currently part of OIC's process.
New work necessary to review, monitor, and enforce this new provision related to formularies is based on the following estimates:

-The large group market has over 5,000 comprehensive major medical plans annually. And, large groups can negotiate a unique formulary per plan. For purposes of this analysis, we assumed a large percentage of carriers use a standardized formulary. Given that there are approximately 50 health carriers offering major medical coverage in Washington State, we estimate receipt of 200 formulary filings for large group plans annually (50 quarterly).

-Estimating receipt of 96 formulary filing for small group and individual markets annually (24 quarterly).

We estimate formulary reviews will need to be performed quarterly and will take the following staff the following amounts of time:

-A clinical expert (pharmacist) to review and analyze 74 formularies quarterly (50 large group, 24 small group/individual market). Assuming the review is similar to a standard review filing, we estimate it will take the clinical expert 10 hours for each formulary. (74 x 10 hours = 740 hours quarterly or 296 X 10 -= 2,960 hours annually.)

-Functional Program Analysts 3 to assist with review, analyzing and making inquiries for each formulary. This will take 6 hours per formulary review. (74 x 6 hours = 444 hours quarterly or 296 X 6-= 1,776 hours annually.)

-Insurance Technician to image the formulary filings into the OIC's electronic repository (SIMBA) will take 90 minutes for each of the filings. (296 X 1.5 hours = 444 hours annually.)

Additionally, OIC currently receives approximately 115 consumer complaints on pharmacy benefit related issues annually. With the new protections afforded to consumers in this bill, we estimate OIC will receive 115 complaints annually specifically related to formulary related issues.

-We estimate 2/3 of the formulary related complaints (77) received annually will need to be reviewed by a Functional Program Analyst 3 to determine if the clinical trigger is met. Each complaint review will take 2 hours. (77 X2 = 154 hours.)

-We estimate 1/3 of the formulary related complaints (38) received annually will need to be reviewed by a clinical expert (pharmacist). Each review will take 2 hours for the clinical expert (pharmacist) to process. (38 X 2 = 76 hours) plus 2 additional hours by the Functional Program Analyst 3 ((38 X 2 = 76 hours).

-We estimate 1% (or 1 complaint every other year) will be referred for enforcement. Legal Affairs will be able to absorb the enforcement expectation into their current work load.

This bill will require 'normal' rulemaking in FY2019.

Ongoing Costs:
Salary, benefits and associated costs for 1.69 FTE Clinical Pharmacist; 1.12 FTE Functional Program Analyst 3; and .25 FTE Insurance Technician 3.

One-time Costs:
Equipment; and salary, benefits and associated costs for a 'normal' rulemaking process in FY2019.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years		3.3	1.6	3.1	3.1
A-Salaries and Wages		318,894	318,894	602,894	602,894
B-Employee Benefits		101,831	101,831	192,028	192,028
C-Professional Service Contracts					
E-Goods and Other Services		105,181	105,181	198,730	198,730
G-Travel					
J-Capital Outlays		9,000	9,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	$0	$534,906	$534,906	$993,652	$993,652

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2018	FY 2019	2017-19	2019-21	2021-23
Clinical Pharmacist	127,788		1.7	0.9	1.7	1.7
Functional Program Analyst 3	66,888		1.1	0.6	1.1	1.1
Functional Program Analyst 4	72,456		0.1	0.0		
Insurance Technician 3	42,060		0.3	0.1	0.3	0.3
Senior Policy Analyst	92,160		0.2	0.1		
Total FTEs			3.3	1.7	3.1	3.1

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 2 will require rule-making to implement. A new standard for the large group market will need to be addressed in rule, including prescribed filing formats for group and individual markets. It is also contemplated that rule-making will need to address provider contracting standards. This will require modifying multiple chapters of the code to implement. This will be 'normal' rule-making.