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FISCAL IMPACT REPORT

SPONSOR: Madalena DATE TYPED: 2/1/01 HB 298
 SHORT TITLE: Native American Prescription Drug Program SB _____
 ANALYST: Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
\$ 25.0	See Narrative			Recurring	GF

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Health Policy Commission
 Agency on Aging

SUMMARY

Synopsis of Bill

HB 298 appropriates \$25,000 to the Agency on Aging for the development of a statewide prescription drug discount program. This is intended to help establish a Native American prescription drug bulk funding program.

Significant Issues

Native American tribes use their purchasing power to negotiate for discounted prices on prescription drugs, and there may be a potential to increase this purchasing power with additional participants. The bill contains an emergency clause.

FISCAL IMPLICATIONS

\$25.0 from the general fund is appropriated to State Agency on Aging. There is an emergency clause so that the funds can be spent in FY01 and FY02.

DUPLICATION

HB 298 duplicates SB 140, Indian Prescription Drug Purchasing

Relates to:

- HB 2, General Appropriations Act of 2001
 - HB 297, Prescription Drug Discount Program
 - HB 299, Health Insurance
 - HB 300, Prescription Drug Senior Program
 - HB 301, Prescriptions: Fair Pricing Act
 - HB 302, Prescription Drug Program: Seniors
 - HB 303, Standard Co-Payments: Prescriptions
 - SB 98, General Appropriations Bill of 2001
 - SB 141, Prescription Drug Fair Pricing
 - SB 142, Prescription Drug Discount Program
 - SB 143, Prescription Drug Senior Program
 - SB 144, Prescription Drug Bulk Purchasing
- SB 141, SB 142, SB 143 and SB 144 all relate to drug pricing and purchasing.

SUBSTANTIVE ISSUES

- Native American tribes use their purchasing power to negotiate for discounted prices on prescription drugs, and there may be a potential to increase this purchasing power with additional participants.
- Twenty-four other states (CA, CT, DE, FL, IL, IN, KS, ME, MD, MA, MI, MN, MO, NV, NH, NJ, NY, NC, PA, RI, SC, VT, WA, WY) currently have state pharmaceutical assistance programs to ensure that seniors receive either coverage for, or low cost prescription drugs.
- In order to combat practices of drug manufacturers, the state of Maine will act as negotiator of prescription drug prices on behalf of all citizens without drug coverage or enrolled in Medicaid. They plan to lobby other states to join them to create an even larger purchasing pool with greater negotiating power.
- Native Americans often have high prescription drug costs because of the prevalence of certain chronic conditions are particularly high among Native Americans; for example, the highest prevalence of diabetes in the world.
- Native Americans are disadvantaged in health in part because of their limited access to health insurance, their lower incomes, and decreased access to health care.
- Private insurance payments for prescription drugs increased 17.7 percent in 1997, after growing 22.1 percent in 1995 and 18.3 percent in 1996. This growth in prescription drug payments compares with 4 percent or less overall annual growth in private insurance payments for each of those three years.
- From 1993 to 1997, the overwhelming majority of the increases in expenditures on prescription drugs were attributable to increased volume, mix, and availability of pharmaceutical products. In 1997, these factors accounted for more than 80 percent of the growth in prescription drug expenditures.
- Prescription drug expenditures grew at double-digit rates during almost every year since 1980, accelerating to 14.1 percent in 1997. In contrast, total national health expenditures, hospital service expenditures, and physician service expenditures growth rates decreased from approximately 13 percent in 1980 to less than 5 percent in 1997.
- A leading explanation for the sharp growth in drug expenditures is that prescription drugs are a substitute for other forms of health care. While it is difficult to determine the extent to which this substitution occurs, various studies have associated cost savings with the use of pharmaceutical products in treating specific diseases. (EBRI Issue Brief)
- Evidence suggests that more appropriate utilization of prescription drugs has the potential to lower total expenditures and improve the quality of care. Also, some studies indicate the U.S. health care

system needs to improve the way patients use and physicians prescribe current medications. (EBRI Issue Brief)

- Prescription drug plans offered by employers are likely to undergo changes to ensure that only the most efficacious drugs are covered. Anecdotal evidence suggests that co-payments for prescriptions are going to increase. Some health plans are including prescription drug costs in their capitated payments to physicians. Furthermore, prescription drug plans are expected to use formularies more aggressively. (EBRI Issue Brief)
- While prescription drugs are showing sharp price increases, they are also becoming more important in the treatment of many diseases. Consequently, both employers and policymakers must carefully

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