



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 150 (Substitute S-2 as reported)
Sponsor: Senator Margaret E. O'Brien
Committee: Insurance

Date Completed: 7-13-15

RATIONALE

Individuals with chronic health conditions often require multiple prescriptions, not just to deal with those conditions, but also to help manage pain and other side effects related to treatment. Because a person's various medications are not always prescribed at the same time, they may be scheduled to be refilled at different times throughout the month. The need to visit a pharmacy multiple times each month puts an added burden on patients, which can lead them to miss or skip doses. In turn, medication nonadherence can increase total health care expenses through unnecessary hospitalization as well as the progression of controllable diseases. One way to reduce the burden on patients is to synchronize all of a person's prescriptions so they can be filled on the same day each month. An obstacle to that goal is that many health insurance providers charge the same copay or coinsurance amount for a prescription regardless of the length of time for which it is filled. As a result, a patient has to pay a full copay for the reduced fills, skip doses to achieve synchronization, or refill some prescriptions early and save the drugs (although many plans prohibit early refills to prevent stockpiling). For this reason, it has been suggested that insurance providers should be required to provide a program to synchronize patients' multiple maintenance prescription drugs, and apply a prorated daily cost-sharing rate for this purpose.

CONTENT

The bill would amend the Insurance Code to require a health insurer issuing a policy, or a health maintenance organization offering a contract, that provides prescription drug coverage to do all of the following:

- Provide a program for synchronizing multiple maintenance prescription drugs for an insured or enrollee, if certain conditions were met.**
- Apply a prorated daily cost-sharing rate for maintenance prescription drugs that were dispensed by an in-network pharmacy for the purpose of synchronizing the insured's or enrollee's multiple maintenance prescription drugs.**
- Pay or reimburse a dispensing fee only if it were based on each maintenance prescription drug dispensed, and not prorated.**

Specifically, the bill would require an insurer that delivers, issues for delivery, or renews in the State an expense-incurred hospital, medical, or surgical group or individual policy or certificate that provides prescription drug coverage, or a health maintenance organization (HMO) that offers a group or individual contract that provides prescription drug coverage, to provide a program for synchronizing multiple maintenance prescription drugs for an insured or enrollee if both of the following conditions were met: 1) the insured or enrollee, his or her physician, and a pharmacist agreed that synchronizing the insured's or enrollee's multiple maintenance prescription drugs was in the best interests of the insured or enrollee; and 2) the drugs met all of the following requirements:

- Were covered by the policy, certificate, or contract.
- Were used for the management and treatment of a chronic long-term care condition and had authorized refills that remained available.

- Were not Schedule 2 to 5 controlled substances (except for anti-epileptic prescription drugs).
- Met all prior authorization requirements specific to the drugs at the time of the request to synchronize the insured's or enrollee's multiple maintenance prescription drugs.
- Were of a formulation that could be effectively split over required short fill periods to achieve synchronization.
- Did not have quantity limits or dose optimization criteria or requirements that would be violated when the insured's or enrollee's multiple maintenance prescription drugs were synchronized.

The insurer or HMO would have to apply a prorated daily cost-sharing rate for maintenance prescription drugs that were dispensed by an in-network pharmacy for the purpose of synchronizing the insured's or enrollee's multiple maintenance prescription drugs.

The insurer or HMO could not reimburse or pay any dispensing fee that was prorated. It would have to pay or reimburse only a dispensing fee that was based on each maintenance prescription drug dispensed.

The bill would apply to policies, certificates, and contracts delivered, executed, issued, amended, adjusted, or renewed beginning 365 days after the bill was enacted.

Proposed MCL 500.3406t

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The requirements of the bill would reduce the cost to individuals who want to synchronize their medications, making it easier for them to do so. The bill would remove the need to fill prescriptions early to achieve synchronization, as that behavior could lead to stockpiling those drugs. Synchronizing prescriptions would remove from patients the burden of making several pharmacy visits throughout the month to refill medication. Reportedly, multiple studies have found that patients who synchronize their prescriptions are more likely to adhere to those medications than others who do not synchronize. Since medication nonadherence contributes to avoidable health care costs, increasing adherence could improve health outcomes and save money overall.

The bill also would ensure that pharmacies were paid a dispensing fee that was based on the number of prescriptions filled, and was not reduced or prorated for short-term fills. The labor required to fill a prescription is the same regardless of the amount of medication provided, so a fair dispensing fee should be the same regardless of the time period for which a prescription is filled. By prohibiting insurers and HMOs from paying prorated dispensing fees for short-term prescription fills, the bill would remove that disincentive to pharmacies to participate in a synchronization plan.

Legislative Analyst: Ryan M. Bergan

FISCAL IMPACT

The bill should result in a limited indeterminate change in State and local expenditures. The bill would require a limited cost-sharing rate for prescription drugs reimbursed by health insurers for less than a short-term supply under certain circumstances, to allow for the synchronization of medications for chronic conditions. The bill also would require the full dispensing fee be paid even for prescriptions written for less than a short-term supply of a medication.

These provisions would have an impact on the managed care portion of the State's Medicaid program as they would reduce copayments in certain circumstances while preserving the full dispensing fee. The actual fiscal impact is indeterminate because there is limited information on how many prescriptions this would affect and to what degree costs would change. Changes in costs

would effectively be reflected in the actuarial soundness adjustments made for Medicaid health plans as well as the budgetary adjustments for the Medicaid fee-for-service lines.

The bill would have a similar indeterminate impact on State and local governments in their role as employers that provide health care coverage to employees. As is the case with Medicaid, copayments would be reduced in certain instances, which would increase costs to employers slightly. On the other hand, some would argue that better coordination of medications could lead to better health outcomes, which could result in some reduction in costs.

Because these provisions would apply only to a small number of prescriptions, any change in costs for Medicaid or employers would be quite modest compared to overall health care expenditures.

Fiscal Analyst: Steve Angelotti

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.