

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** Senate Bill 367

**SHORT TITLE:** Eliminate Medicaid Prescription Limit

**SPONSOR(S):** Senator Dannelly

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 1997-98</u></b>	<b><u>FY 1998-99</u></b>	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>
<b>EXPENDITURES</b>					
<b>Total Requirements</b>	<b><u>\$24,464,027</u></b>	<b><u>\$26,625,029</u></b>	<b><u>\$30,7783,916</u></b>	<b><u>\$35,592,429</u></b>	<b><u>\$40,926,037</u></b>
<b>Federal Funds</b>	<b>15,581,139</b>	<b>16,769,456</b>	<b>19,122,969</b>	<b>21,832,396</b>	<b>24,788,901</b>
<b>State Funds</b>	<b>7,549,599</b>	<b>8,384,222</b>	<b>9,912,421</b>	<b>11,695,672</b>	<b>13,718,407</b>
<b>County Funds</b>	<b>1,333,289</b>	<b>1,480,351</b>	<b>1,748,526</b>	<b>2,064,361</b>	<b>2,418,729</b>
<b>POSITIONS:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>					
Department of Human Resources Division of Medical Assistance County Governments					
<b>EFFECTIVE DATE:</b> July 1, 1997					

**BILL SUMMARY:** The proposed legislation eliminates the monthly six prescription limit for Medicaid recipients.

## ASSUMPTIONS AND METHODOLOGY:

### A. Background

The monthly six prescription limit for Medicaid recipients has been in place since 1982. The limit was initiated as a cost containment measure and is allowed under federal law. If a Medicaid recipient exceeds the six prescription limit in any month, the prescription is not covered by Medicaid.

The six prescription limit includes refills, but the pharmacist is allowed to fill each prescription for 100 days or just over three months unless the prescription is limited by the physician. The three month time period allows a Medicaid recipient's physician and pharmacist to stagger the filling of prescriptions over several months which reduces the likelihood of a recipient exceeding the six prescription limit.

The Division of Medical Assistance has analyzed the prescription drug usage of different categories of eligibles. Their analysis determined that the average number of prescriptions per recipient is 3.14. Of the eight categories of eligibles, only three categories exceeded three prescriptions per month: Aged - 4.24, Blind - 3.78, and Disabled - 3.80. The Aged, Blind, and Disabled eligibles are the heaviest users of prescriptions and the cost per prescription is also higher. 13.5% of Aged eligibles and 9.0% of Blind and Disabled eligibles are currently at the six prescription limit.

### B. Assumptions

1. This fiscal note assumes that Medicaid expenditures for prescription drugs will grow at the following rates for the five year estimate period:

<u>Fiscal Year</u>	<u>Growth Rates</u>
1997-98	18.3%
1998-99	13.7%
1999-00	15.6%
2000-01	15.6%
2001-02	15.6%

The rates for 1997-98 and 1998-99 are based on the current Medicaid projections for the next biennium. The rates for 1999-00 through 2001-02 assume that the cost of prescription drugs grow at a slightly higher rate than 1998-99 due increases in utilization and drug prices.

2. This fiscal note assumes that expenditures for prescription drugs increase an additional 5.3% per year if the proposed legislation is enacted. This assumption was developed by assuming that Aged, Blind, and Disabled eligibles who are currently receiving the maximum six prescriptions per month would increase their prescription utilization by two prescriptions per month. This increased utilization by eligibles at

the maximum limit would increase the average prescription utilization per month from 3.14 per eligible to 3.51.

3. This fiscal note assumes that the Federal Financial Participation Rate will decrease by 1.2% each year and the state and county shares of Medicaid will increase to absorb the decrease in federal revenues. The following participation rates were used in this fiscal note.

	<u>Federal</u>	<u>State</u>	<u>County</u>
<b>1997-98</b>	63.69%	30.86%	5.45%
<b>1998-99</b>	62.95%	31.49%	5.56%
<b>1999-00</b>	62.12%	32.20%	5.68%
<b>2000-01</b>	61.34%	32.86%	5.80%
<b>2001-02</b>	60.57%	33.52%	5.91%

**C. Methodology**

The estimated fiscal impact for the proposed legislation was derived by using the current 1996-97 expenditure estimate for prescription drugs (\$371,598,159) and growing it by the rates listed in assumption #1 to project the annual expenditures for prescription drugs for each fiscal year. Then the increase in expenditures caused by the proposed legislation was derived by multiplying 5.3% times the projected expenditures for each fiscal year. Then the participation rates described in assumption #3 were used to determine the federal, state, and county shares for the increased Medicaid expenditures.

**TECHNICAL CONSIDERATIONS:** None.

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