Fiscal Note

Prescription Drug Coverage and Formularies *20-Feb-01*

Bill Number SB0180 *10:30 AM*

State Impact

No fiscal impact to State government, institutions of higher education, and local governmental entities covered by Public Employees Health Program (PEHP) which is exempt from State statute.

However, there could be a fiscal impact to some local governments, some institutions of higher education and some public school districts if their coverage must meet the State benefit requirements. Insurance companies not exempt from the Employee Retirement Income Security Act of 1974 (ERISA) could see prescription cost increases contributing to a possible premium increase ranging between one and 2.9 percent over current estimates. The amount of the change depends on the disparity between the new requirements and the current level of benefits provided by that company.

This bill will require approximately 450 insurance companies to change their policy forms and re-file them with the Insurance Department. This will generate approximately $9,000 revenue to the General Fund. A one-time appropriation of $4,000 from the General Fund is needed for processing and postage.

	FY 02 Approp.	FY 03 Approp.	FY 02 Revenue	FY 03 Revenue
General Fund	$4,000	$0	$9,000	$0
TOTAL	**$4,000**	**$0**	**$9,000**	**$0**

Individual and Business Impact

The fiscal impact is three-fold. First, affected individuals may realize a significant savings because of the added benefit. Second, the general population of insured individuals may experience a premium increase to cover the cost of prescription medications of up to 2.9 percent. This may be paid by the insured individual or their employers. Third, affected insurance companies must file a rate change form at a cost of $20.00 per form if their benefits change.

Additional insurance benefits could result in added costs for the mandated benefits. The costs of mandated coverage may be recovered by 1) reducing other benefits; 2) increasing premiums; 3) reducing insurance company profits; or 4) increasing insurance company losses.

Office of the Legislative Fiscal Analyst