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

SFA BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1278 (Substitute S-2)
Sponsor: Senator Harry Gast
Committee: Appropriations

CONTENT

This bill would establish a new Elder Prescription Insurance Coverage (EPIC) program and is intended to replace the existing senior prescription tax credit and Michigan Emergency Pharmaceutical Programs (MEPPs), though the repeal of the tax credit would not occur until the January following the year in which the EPIC program was operational. Though both of these existing programs provide some assistance to seniors for their prescription costs, the coverage is limited, has long delays between expenditures and the receipt of tax refunds, and, in the case of the emergency programs, can be taken advantage of only two or three times a year.

EPIC is designed to provide ongoing relief for out-of-pocket prescription costs for seniors. While structured to expand eligibility to seniors at or below 200% of poverty, it initially would be targeted to seniors who have recently used MEPPs, the tax credit program, and other seniors at or below 150% of poverty. EPIC would require an annual application (with a $25 administrative fee) at which point the prospective enrollee's annual cost-sharing obligation would be established as a percentage of household income based on a sliding scale of 1% of income at or below 100% of poverty up to 5% of income above 175% of income. The enrollee's cost-sharing obligation would be met with a monthly deductible computed as 1/12 of the annual cost-sharing amount. As an example, an individual with a household income of $8,350 (100% of poverty) would have an annual cost-sharing obligation of around $84. As such, his or her monthly deductible would be $7. For a couple at 150% of poverty (an income of $16,875), their annual obligation would be a little over $500 (3% of income), with a monthly deductible of $42.20. Once the monthly deductible was met, there would be no expenditure maximum. The only additional cost-sharing would be an additional $15 copayment in those cases in which an enrollee chose to have a prescription filled with a more costly brand-name drug when a lower cost generic drug was available.

Other salients of the bill include the potential for the EPIC program to be run by a pharmacy benefits manager (PBM), though its operation would have to be tied to the existing Medicaid on-line adjudication and prospective drug utilization review system. There are quarterly reporting requirements to track enrollment and expenditure data and options that the Department could take if it appeared that the program could overspend its appropriations. There are also directions for program modifications if the Federal government ever starts a senior prescription program. Finally, the bill would allow the Department/PBM to obtain drug producer rebates and discounts as is done in the Medicaid program, and would set the pharmacy dispensing fee at 100% of the current Medicaid rate.

FISCAL IMPACT

While no consensus currently exists for the cost of the EPIC program (which ranges from $42 million to $106 million), the Senate Fiscal Agency still estimates that the first full-year costs of the program would not exceed $60 million.

Date Completed: 11-29-00 Fiscal Analyst: J. Walker