Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 150 (as enacted) **PUBLIC ACT 38 of 2016**
Sponsor: Senator Margaret E. O'Brien
Senate Committee: Insurance
House Committee: Insurance

Date Completed: 4-7-16

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 has been 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 was 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 amended 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 are met.**
- **Apply a prorated daily cost-sharing rate for maintenance prescription drugs that are 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 is based on each maintenance prescription drug dispensed, and not prorated.**

Specifically, the bill requires 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 are met: 1) the insured or enrollee, his or her physician, and a pharmacist agree that synchronizing the insured's or enrollee's multiple maintenance prescription drugs is in the best interests of the insured or enrollee; and 2) the drugs meet all of the following requirements:

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

-- Are not Schedule 2 to 5 controlled substances (except for anti-epileptic prescription drugs).
-- Meet 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.
-- Are of a formulation that can be effectively split over required short fill periods to achieve synchronization.
-- Do not have quantity limits or dose optimization criteria or requirements that will be violated when the insured's or enrollee's multiple maintenance prescription drugs are synchronized.

The insurer or HMO must apply a prorated daily cost-sharing rate for maintenance prescription drugs that are 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 may not reimburse or pay any dispensing fee that is prorated. It must pay or reimburse only a dispensing fee that is based on each maintenance prescription drug dispensed.

The bill applies to policies, certificates, and contracts delivered, executed, issued, amended, adjusted, or renewed in Michigan, or outside the State if covering Michigan residents, beginning 365 days after date of the bill's enactment.

The bill took effect on March 15, 2016.

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 will reduce the cost to individuals who want to synchronize their medications, making it easier for them to do so. The bill removes the need to fill prescriptions early to achieve synchronization, as that behavior can lead to stockpiling those drugs. Synchronizing prescriptions will relieve patients of 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 should improve health outcomes and save money overall.

The bill also will ensure that pharmacies are paid a dispensing fee that is based on the number of prescriptions filled, and is 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 removes that disincentive for pharmacies to participate in a synchronization plan.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill should result in a limited indeterminate change in State and local expenditures. The bill requires 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 requires the full dispensing fee be paid even for prescriptions written for less than a short-term supply of a medication.

These provisions will have an impact on the managed care portion of the State's Medicaid program as they will 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 will affect and to what degree costs will change. Changes in costs will 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 will 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 will be reduced in certain instances, which will increase costs to employers slightly. On the other hand, some would argue that better coordination of medications can lead to better health outcomes, which can result in some reduction in costs.

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

Fiscal Analyst: Steve Angelotti