

February 15, 2011

The Honorable Vicki Schmidt, Chairperson  
Senate Committee on Public Health and Welfare  
Statehouse, Room 552-S  
Topeka, Kansas 66612

Dear Senator Schmidt:

SUBJECT: Fiscal Note for SB 117 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 117 is respectfully submitted to your committee.

SB 117 would require meetings of the Medicaid Drug Utilization Review Board to be held subject to the provisions of the Kansas Open Meetings Act. Any advisory committee of the Board would also be required to operate under the requirements of the act. SB 117 would add the following requirements for meeting conduct:

1. Nonmembers of the committee could only be recognized to speak during designated public comment periods;
2. Pharmaceutical manufacturers and other interested parties would have to submit formulary requests in a standard format three or four weeks in advance of the meeting;
3. The Kansas Health Policy Authority would have to notify interested parties of committee meetings at least six weeks before the meeting date; and
4. Before any final action was taken, a 15-minute public comment period would be required for each drug in the therapeutic drug class under review.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$3,800 to \$614,250	\$15,200 to \$1,500,000
FTE Pos.	--	--	--	--

The Kansas Health Policy Authority (KHPA) states that passage of SB 117 would add time to each of the Drug Utilization Review (DUR) and Preferred Drug List (PDL) meetings to allow for pharmaceutical companies to have a 15-minute presentation on each drug being

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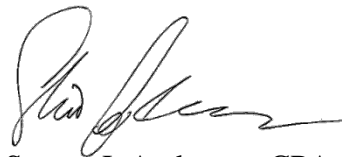
considered. Current meeting practice allows for a comment period on the entire class of drugs under review, not each individual drug. The January 2011 DUR meeting considered 16 drugs. The February 2011 PDL meeting will consider at least 37 drugs in various classes. If 15 minutes were allocated for public testimony on each drug, these two meetings would be between four and seven hours longer.

The DUR Committee includes four medical doctors, four pharmacists, and one physician assistant or advanced registered nurse practitioner. The medical doctors are paid \$100 per hour and the other professionals are paid \$50 per hour. Therefore, each hour of meeting time costs \$650 for professional fees (4 x \$100 + 5 x \$50). This Committee meets four times per year. If the meeting times were increased to allow for the additional public comment period, the annual cost for the meetings would increase by between \$10,400 and \$18,200 (4 x 4 x \$650 and 7 x 4 x \$650).

The PDL Committee includes four medical doctors and four pharmacists. Therefore, each hour of meeting time costs \$600 for professional fees (4 x \$100 + 4 x \$50). This Committee meets twice per year. If the meeting times were increased to allow for the additional public comment period, the annual cost for these meetings would increase by between \$4,800 and \$8,400 (4 x 2 x \$600 and 7 x 2 x \$600). These expenditures are eligible for a 75 percent federal match. So the additional annual cost to the State General Fund for the additional time spent in both meetings would total between \$3,800 and \$6,650 (25% x \$15,200 and 25% x \$26,600).

The alternative to these additional costs would be to reduce the number of drugs that are reviewed at each meeting. This approach would delay drugs from going onto the Preferred Drug List, which would increase costs in the Medicaid Program by not achieving savings from supplemental rebates or by creating prior authorization criteria that change prescribing habits. KHPA estimates the increase in pharmacy expenditures to be approximately \$1.5 million, including \$614,250 from the State General Fund. Any fiscal effect associated with SB 117 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Scott Brunner, KHPA